

APPENDIX III(B) BUSINESS OVERVIEW AND FINANCIAL INFORMATION OF THE ENLARGED MCT GROUP (CONT'D)

4.1.3 Segmental analysis of GP and GP margin

(i) GP by Companies

The table below sets forth the breakdown of the Enlarged MCT Group's GP by companies:

Gross Profit (GP)	FYE 30 June					
	2012		2013		2014	
	RM'000	%	RM'000	%	RM'000	%
MCT Consortium	10,151	10.0	11,000	6.2	-	-
Modular Construction Technology	24,706	24.5	41,873	23.6	(6,653) [@]	(4.5)
One City Properties	31,580	31.3	97,925	55.2	45,692	31.0
MCT Construction Materials	1,215	1.2	1,529	0.9	2,713	1.8
The Place Properties	18,438	18.3	23,033	13.0	36,995	25.1
Sky Park Properties	-	-	-	-	16,358	11.1
Roaring Gain	-	-	-	-	52,071	35.4
Solid Benefit	14,860	14.7	1,902	1.1	-	-
MCT Homes	75	0.1	85	#	-	-
Sub-total (includes interco)	101,025	100.0 [^]	177,347	100.0	147,177	100.0
Consolidation adjustments*	(30,288)		(65,023)		(2,137)	
Total	70,737		112,324		145,039	

Notes:

Negligible.

* *In relation to inter-company elimination.*

^ *Total does not add-up due to rounding.*

@ *Modular Construction Technology is primarily a construction arm of the Enlarged MCT Group. The gross loss recorded here includes inter-company transactions. Detailed analysis and elaborations on gross profit/loss by development projects are set-out in Section 4.1.3 of Appendix III(B) of this Prospectus.*

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APPENDIX III(B) BUSINESS OVERVIEW AND FINANCIAL INFORMATION OF THE ENLARGED MCT GROUP (CONT'D)

(ii) GP Margin by Companies

GP Margin	FYE 30 June		
	2012	2013	2014
	%	%	%
MCT Consortium	100.0	100.0	-
Modular Construction Technology	17.1	16.4	(2.3)
One City Properties	30.4	43.2	37.4
MCT Construction Materials	2.0	2.0	1.9
The Place Properties	44.6	44.3	42.5
Sky Park Properties	-	-	31.9
Roaring Gain	-	-	63.1
Solid Benefit	70.9	100.0	-
MCT Homes	-	-	-
Group GP Margin	41.9	40.0	37.8

(iii) GP by Business Activities and Products

The table below sets forth the breakdown of the Enlarged MCT Group's GP by business activities and products:

Gross Profit (GP)	FYE 30 June					
	2012		2013		2014	
	RM'000	%	RM'000	%	RM'000	%
Property Development	53,659	75.9	117,465	104.6	135,316	93.3
Commercial Property	52,249	73.9	110,949	98.8	123,421	85.1
Retail	24,632	34.8	56,079	49.9	21,005	14.5
Offices	21,255	30.0	52,525	46.8	94,714	65.3
SOFO	-	-	-	-	5,252	3.6
Shop offices	6,362	9.0	2,345	2.1	2,449	1.7
Residential Property	1,410	2.0	6,516	5.8	11,895	8.2
Serviced Apartment	-	-	-	-	7,350	5.1
SOHO	1,410	2.0	6,516	5.8	4,545	3.1
Other Activities	17,078	24.1	(5,141)	(4.6)	9,723	6.7
Construction	2,218	3.1	(7,043)	(6.3)	9,723	6.7
Sale of land ⁽¹⁾	14,860	21.0	1,902	1.7	-	-
Total	70,737	100.0	112,324	100.0	145,039	100.0

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Notes:

^ Total does not add-up due to rounding.

(1) Pursuant to compulsory acquisition by the Government of Malaysia.

(iv) GP Margin by Business Activities

GP Margin	2012	FYE 30 June 2013	2014
	%	%	%
<u>Property Development</u>	40.8	49.8	45.7
Commercial Property	40.5	49.4	46.1
Retail	41.3	50.0	29.7
Offices	38.1	48.9	53.3
SOFO	-	-	33.7
Shop offices	47.2	47.3	73.8
Residential Property	51.4	57.0	41.9
Serviced Apartment	-	-	39.8
SOHO	51.4	57.0	45.9
<u>Other Activities</u>	46.0	(11.4)	11.1
Construction	13.7	(16.3)	11.1
Sale of land ⁽¹⁾	71.0	100.0	-
Group GP Margin	41.9	40.0	37.8

Note:

(1) Pursuant to compulsory acquisition by the Government of Malaysia.

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APPENDIX III(B) BUSINESS OVERVIEW AND FINANCIAL INFORMATION OF THE ENLARGED MCT GROUP (CONT'D)

(v) GP by Property Development Projects

The table below sets forth the breakdown of the Enlarged MCT Group's GP by property development projects:

Gross Profit (GP)	FYE 30 June					
	2012		2013		2014	
	RM'000	%	RM'000	%	RM'000	%
Property Development	53,659	75.9	117,465	104.6[^]	135,316	93.3
<i>Subang Jaya</i>						
Garden Shoppe @ OneCity	6,362	9.0	2,345	2.1	2,449	1.7
Sky-Park @ OneCity	18,393	26.0	16,216	14.4	56,688	39.1
The Place @ OneCity	10,468	14.8	21,498	19.1	4,951	3.4
The Square @ OneCity	-	-	49,244	43.8	34,488	23.8
<i>Cyberjaya</i>						
The Place @ Cyberjaya	18,436	26.1	28,162	25.1	19,475	13.4
Sky-Park @ Cyberjaya	-	-	-	-	17,265	11.9
Other Activities	17,078	24.1	(5,141)	(4.6)	9,723	6.7
Construction	2,218	3.1	(7,043)	(6.3)	9,723	6.7
Sale of land ⁽¹⁾	14,860	21.0	1,902	1.7	-	-
Total	70,737	100.0	112,324	100.0	145,039	100.0

Notes:

[^] Total does not add-up due to rounding.

(1) Pursuant to compulsory acquisition by the Government of Malaysia.

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MCT GROUP (CONT'D)**

(vi) GP Margin by Property Development Projects

GP Margin	2012	FYE 30 June 2013	2014
	%	%	%
<u>Property Development</u>	40.8	49.8	45.7
<i>Subang Jaya</i>			
Garden Shoppe @ OneCity	47.2	47.3	73.8
Sky-Park @ OneCity	29.9	29.9	52.6
The Place @ OneCity	50.2	53.5	27.9
The Square @ OneCity	-	60.2	58.8
<i>Cyberjaya</i>			
The Place @ Cyberjaya	51.4	51.3	31.7
Sky-Park @ Cyberjaya	-	-	36.7
<u>Other Activities</u>	46.0	(11.4)	11.1
Construction	13.7	(16.3)	11.1
Sale of land ⁽¹⁾	71.0	100.0	-
Group GP Margin	41.9	40.0	37.8

Note:

(1) Pursuant to compulsory acquisition by the Government of Malaysia.

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(vii) GP by Geographical Markets

The breakdown of the Enlarged MCT Group's GP by geographical markets (based on locations of the respective projects) is as follows:

GP	FYE 30 June					
	2012		2013		2014	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	71,586	101.2	112,324	100.0	145,039	100.0
Abu Dhabi*	(849)	(1.2)	-	-	-	-
Total	70,737	100.0	112,324	100.0	145,039	100.0

Note:

* The construction work was carried out in Abu Dhabi for a customer from Korea.

(viii) GP Margin by Geographical Markets

The breakdown of the Enlarged MCT Group's GP margin by geographical markets (based on locations of the respective projects) is as follows:

GP Margin	FYE 30 June		
	2012	2013	2014
	%	%	%
Malaysia	42.7	40.0	37.8
Abu Dhabi*	(71.8)	-	-
Group GP Margin	41.9	40.0	37.8

Note:

* The construction work was carried out in Abu Dhabi for a customer from Korea.

GP and GP Margin

The Enlarged MCT Group's total GP increased from RM70.7 million for the FYE 30 June 2012 to RM145.0 million for the FYE 30 June 2014, which represented by an AAGR of 43.2%. This was largely contributed by its GP from the property development segment which recorded an AAGR of 58.7% from RM53.7 million for the FYE 30 June 2012 to RM135.3 million for the FYE 30 June 2014. The Enlarged MCT Group's overall GP margin for the FYE 30 June 2014 was 37.8% which was lower compared to 41.9% for the FYE 30 June 2012. The lower overall GP margin in FYE 30 June 2014 was mainly contributed by other activities which registered GP margin of 11.1% for the FYE 30 June 2014 compared to 46.0% for the FYE 30 June 2012. Nevertheless, the GP margin of the main business activity of the Enlarged MCT Group, which is the property development segment, saw an improvement from 40.8% for the FYE 30 June 2012 to 45.7% for the FYE 30 June 2014.

The discussion on year-on-year analysis on GP and GP margin is as follows:

FYE 30 June 2012

GP

For the FYE 30 June 2012, the Enlarged MCT Group's GP increased by 185.1% from RM24.8 million for the FYE 30 June 2011 to RM70.7 million for the FYE 30 June 2012. The increase was mainly attributed to the property development projects which accounted for RM53.7 million or 75.9% of total GP. The GP from this segment increased by 108.1% from RM25.8 million for the FYE 30 June 2011 to RM53.7 million for the FYE 30 June 2012 which were mainly contributed by the following projects:

- GP from Sky-Park @ OneCity increased by 2.2% from RM18.0 million for the FYE 30 June 2011 to RM18.4 million for the FYE 30 June 2012. The revenue of Sky-Park @ OneCity accounted for RM61.5 million or 36.4% of total revenue for the FYE 30 June 2012;
- GP from The Place @ Cyberjaya increased by 636.0% from RM2.5 million for the FYE 30 June 2011 to RM18.4 million for the FYE 30 June 2012. The revenue of The Place @ Cyberjaya accounted for RM35.9 million or 21.3% of total revenue for the FYE 30 June 2012; and
- The Place @ OneCity recorded its first GP of RM10.5 million for the FYE 30 June 2012 and revenue of the said project accounted for RM20.9 million or 12.4% of total revenue for the FYE 30 June 2012.

The GP from the construction segment increased from a gross loss of RM1.0 million for the FYE 30 June 2011 to a GP of RM2.2 million for the FYE 30 June 2012. This increase in GP was mainly due to the gross profit generated from the new civil works contract for a road infrastructure in Cyberjaya, which commenced in September 2011. In addition, the GP derived from the proceeds from the sale of land accounted for RM14.9 million of total GP for the FYE 30 June 2012. This was from the compulsory land acquisition by the Government of Malaysia.

GP Margin

The Enlarged MCT Group's GP margin improved from 31.0% for the FYE 30 June 2011 to 41.9% for the FYE 30 June 2012. The improvement in GP margin was mainly attributed to the following:

- GP margin from the property development segment improved from 33.9% for the FYE 30 June 2011 to 40.8% for the FYE 30 June 2012, which was attributed to The Place @ OneCity, which achieved a GP margin of 50.2% for the FYE 30 June 2012. The higher GP margin for the Place @ OneCity was mainly contributed by the higher average selling price of retail lots in The Place @ OneCity which was about RM1,000 per square feet compared to an earlier development in 2009 namely Sky-Park @ OneCity which commanded an average selling price of RM510 per square feet for retail lots.
- The construction segment recorded a higher GP margin of 13.7% for the FYE 30 June 2012 compared to a gross loss margin of 27.3% for the FYE 30 June 2011. This increase in GP was mainly contributed by the gross profit from the new civil works contract for a road infrastructure in Cyberjaya, which commenced in September 2011. In addition, the construction project in Abu Dhabi recorded lower costs for the FYE 30 June 2012 as compared to FYE 30 June 2011.

The sale of land pursuant to the compulsory acquisition by the Government of Malaysia recorded a high GP margin of 71.0% for the FYE 30 June 2012.

FYE 30 June 2013

GP

For the FYE 30 June 2013, the Enlarged MCT Group's GP increased by 58.8% from RM70.7 million for the FYE 30 June 2012 to RM112.3 million for the FYE 30 June 2013. The increase was mainly attributed to the GP from the property development projects which accounted for RM117.5 million. The GP from this segment increased by 118.8% from RM53.7 million for the FYE 30 June 2012 to RM117.5 million for the FYE 30 June 2013 which were mainly contributed by the following development projects:

- GP from The Place @ OneCity increased by 104.8% from RM10.5 million for the FYE 30 June 2012 to RM21.5 million for the FYE 30 June 2013. The revenue of The Place @ OneCity accounted for RM40.2 million or 14.3% of total revenue for the FYE 30 June 2013;
- GP from The Place @ Cyberjaya increased by 53.3% from RM18.4 million for the FYE 30 June 2012 to RM28.2 million for the FYE 30 June 2013. The revenue of The Place @ Cyberjaya accounted for RM54.9 million or 19.5% of total revenue for the FYE 30 June 2013; and
- The Square @ OneCity recorded its first GP of RM49.2 million for the FYE 30 June 2013. The Square @ OneCity was one of the major revenue contributors, which accounted for RM81.7 million or 29.1% of total revenue for the FYE 30 June 2013.

Despite the increase in the overall GP, the GP from Garden Shoppe @ OneCity and Sky-Park @ OneCity decreased by 64.1% and 12.0% respectively for the FYE 30 June 2013. Garden Shoppe @ OneCity's GP decreased from RM6.4 million for the FYE 30 June 2012 to RM2.3 million for the FYE 30 June 2013 while GP from Sky-Park @ OneCity decreased from RM18.4 million for the FYE 30 June 2012 to RM16.2 million for the FYE 30 June 2013. This was mainly due to the completion of Garden Shoppe @ OneCity in August 2012 and near completion of Sky-Park @ OneCity. For the FYE 30 June 2013, revenue from the Garden Shoppe @ OneCity accounted for RM5.0 million or 1.8% of total revenue whilst revenue from Sky-Park @ OneCity recorded RM54.2 million or 19.3% of the total revenue.

The GP derived from the construction segment decreased from a GP of RM2.2 million for the FYE 30 June 2012 to a gross loss of RM7.0 million for the FYE 30 June 2013. This was mainly due to the changes in design which resulted in additional costs incurred for the on-going civil works project for road infrastructure in Cyberjaya to improve the accessibility for the LakeFront @ Cyberjaya development. As this was a design and build contract where the Enlarged MCT Group is responsible for the design and build works based on a lump sum price, the additional cost is not chargeable to the customer.

GP Margin

For the FYE 30 June 2013, the Enlarged MCT Group's GP margin was 40.0% which was slightly lower compared to 41.9% for the FYE 30 June 2012. The marginal drop in the GP margin was mainly attributed to the construction segment which recorded a gross loss margin of 16.3% for the financial year under review.

Despite the marginal drop in the overall GP margin, the property development segment continued to record a higher GP margin of 49.8% for the FYE 30 June 2013 compared to 40.8% for the FYE 30 June 2012. This was attributed to the following results:

- The Place @ OneCity achieved a higher GP margin of 53.5% for the FYE 30 June 2013 compared to 50.2% for the FYE 30 June 2012. The Place @ OneCity is a retail property development with an average selling price of about RM1,000 per square feet compared to RM510 per square feet for retail properties under the Sky-Park @ One City, which commenced earlier in 2009; and
- The Square @ OneCity achieved a GP margin of 60.2% for the FYE 30 June 2013 upon commencement of revenue contribution for the financial year. The GP margin of The Square @ OneCity was relatively higher compared to other property development projects undertaken by the Enlarged MCT Group. This was due to the higher average selling price for the said project. The average selling price of retail lots under The Square @ OneCity development was about RM1,570 per square feet compared to RM510 per square feet for retail lots under Sky-Park @ OneCity development. Similarly, the average selling price of offices under The Square @ OneCity development was about RM670 per square feet compared to RM360 per square feet for offices under Sky-Park @ OneCity development.

The construction segment recorded a gross loss margin of 16.3% for the FYE 30 June 2013 compared to the GP margin of 13.7% for the FYE 30 June 2012. This was mainly due to the changes in design which resulted in additional costs incurred for the on-going civil works for road infrastructure in Cyberjaya.

For the FYE 30 June 2013, the Enlarged MCT Group received an additional RM1.9 million which resulted from the Enlarged MCT Group's successful appeal pursuant to the compulsory land acquisition by the Government of Malaysia in 2012.

FYE 30 June 2014

GP of Property Development

For the FYE 30 June 2014, the Enlarged MCT Group's GP increased by 29.1% from RM112.3 million for the FYE 30 June 2013 to RM145.0 million for the FYE 30 June 2014. This was partly attributed to the property development segment which recorded a 15.1% increase in GP from RM117.5 million for the FYE 30 June 2013 to RM135.3 million for the FYE 30 June 2014. The increase in GP for the property development segment was mainly contributed by the following projects:

- GP from Sky-Park @ OneCity increased from RM16.2 million for the FYE 30 June 2013 to RM56.7 million for the FYE 30 June 2014. This was mainly contributed by the sale of Corporate Office Tower on an en-bloc basis, which recorded a GP of RM63.8 million for the FYE 30 June 2014. The increase in GP from sale of the Corporate Office Tower was partially offset by the decrease in GP from other types of properties under the Sky-Park @ OneCity project, which was due to additional operational and development cost of RM16.5 million for FYE 30 June 2014. The additional operation and development costs consisted of the following:
 - RM7.1 million for additional interior and finishing works carried out to upgrade the overall concept of level 1 and 1A mezzanine floor (an additional floor with height of 6800 mm was constructed and completed in 2013;

- RM5.4 million for changes in design and building improvement works such as floor hardening or densifying work, timber cladding, glass flooring and vertical trellises, as well as additional interior and finishing works to achieve the green building index, some of which include landscaping, installation of motion sensor for lighting and installation of double glazed glass.

The above additional works were carried out with the aim of enhancing the overall building concept and aesthetics of the building;

- RM1.0 million of rectification works for tenants during the warranty period including rectification of defects such as repairing water leakage, hairline wall crack and faulty electrical wiring. This resulted in additional cost of sales during the financial year under review which partly affected the GP;
 - RM2.1 million of additional operational costs, material costs and labour costs due to the prolonged period of the construction caused by the delay in project completion from the initial scheduled completion date of February 2013 to June 2013, which the additional cost was recognised in FYE 30 June 2014; and
 - RM0.9 million for the installation of an additional service lift and escalators based on the additional scope of work required to comply with the requirements of the relevant authorities.
- Sky-Park @ Cyberjaya recorded its first GP of RM17.3 million for the FYE 30 June 2014, where the said project recognised its revenue and cost of sales during this financial year under review. The revenue of Sky-Park @ Cyberjaya contributed RM47.0 million or 12.3% of the total revenue for the FYE 30 June 2014;

The increase in GP of the property development segment was partially offset by three on-going development projects:

- GP from The Place @ OneCity decreased by 76.7% from RM21.5 million for the FYE 30 June 2013 to RM5.0 million for the FYE 30 June 2014. This was mainly due to the additional construction cost for a link bridge and the recognition of the remaining cost as the property development project was completed in June 2014. For the FYE 30 June 2014, the revenue of The Place @ OneCity contributed RM17.7 million or 4.6% of the total revenue.

Despite the decrease in GP for the FYE 30 June 2014, The Place @ OneCity generated an aggregated GP of RM36.9 million on the back of an aggregated revenue of RM78.8 million from the FYE 30 June 2010 up to FYE 30 June 2014. The aggregated revenue from The Place @ OneCity project contributed 10.1% of the Enlarged MCT Group's aggregated revenue of RM783.7 million under the property development segment from the FYE 30 June 2010 up to FYE 30 June 2014.

- GP of The Square @ OneCity decreased by 29.9% from RM49.2 million for the FYE 30 June 2013 to RM34.5 million for the FYE 30 June 2014. This was reflected in the revenue and cost of sales recognised during this financial year under review which were in line with the slower pace of construction undertaken for the said project where construction activities were focused on high rise structures in this financial year under review compared to the construction of the retail podium during the previous financial year under review. For the FYE 30 June 2014, the revenue of The Square @ OneCity contributed RM58.7 million or 15.3% of the total revenue.

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Despite the decrease in GP for the FYE 30 June 2014, The Square @ OneCity generated an aggregated GP of RM83.7 million on the back of an aggregated revenue of RM140.4 million from the FYE 30 June 2010 up to FYE 30 June 2014. The aggregate revenue from The Square @ OneCity contributed 17.9% of the Enlarged MCT Group's aggregated revenue of RM783.7 million under the property development segment from the FYE 30 June 2010 up to FYE 30 June 2014.

- GP of The Place @ Cyberjaya decreased by 30.9% from RM28.2 million for the FYE 30 June 2013 to RM19.5 million for the FYE 30 June 2014. This was mainly due to higher development cost incurred during the financial year under review, which consisted of additional labour costs, upgrading works, and additional machinery and operational costs due to the prolonged period of construction.

Furthermore, as the completion of The Place @ Cyberjaya is expected to be in the first quarter of 2015 instead of the initial scheduled completion date of July 2014, this has partly contributed to the increase in its cost of sales. For the FYE 30 June 2014, the revenue of The Place @ Cyberjaya contributed RM61.5 million or 16.0% of the total revenue.

Despite the decrease in GP for the FYE 30 June 2014, The Place @ Cyberjaya generated an aggregated GP of RM68.5 million on the back of aggregated revenue of RM157.0 million from the FYE 30 June 2010 up to FYE 30 June 2014. The aggregated revenue from The Place @ Cyberjaya project alone contributed 20.0% of the Enlarged MCT Group's aggregated revenue of RM783.7 million under the property development segment from the FYE 30 June 2010 up to FYE 30 June 2014.

The property development projects undertaken by the Enlarged MCT Group generated an aggregated revenue of RM783.7 million and an aggregated GP of RM351.6 million from the FYE 30 June 2010 up to FYE 30 June 2014. This contributed to an aggregated GP margin of 44.9% during the said period. The aggregated revenue and GP by projects are as follows:

	From FYE 30 June 2010 to FYE 30 June 2014		
	Aggregated Revenue RM'000	Aggregated GP RM'000	Aggregated GP Margin %
Property Development Projects			
Subang Jaya			
Garden Shoppe @ OneCity	64,098	31,944	49.8
Sky-Park @ OneCity	296,406	113,171	38.2
The Place @ OneCity	78,762	36,918	46.9
The Square @ OneCity	140,429	83,732	59.6
Cyberjaya			
The Place @ Cyberjaya	156,981	68,530	43.7
Sky-Park @ Cyberjaya	47,025	17,265	36.7
Total (Property Development)	783,700[^]	351,559[^]	44.9

Note:

[^] Total does not add-up due to rounding.

GP of Other Activities

The GP derived from the construction segment increased significantly from a gross loss of RM7.0 million for the FYE 30 June 2013 to a GP of RM9.7 million for the FYE 30 June 2014. This was contributed by the civil and building works for Universiti Teknologi MARA. For the FYE 30 June 2014, the revenue from construction segment contributed RM87.5 million or 22.8% of the total revenue.

GP Margin of Property Development

For the FYE 30 June 2014, the Enlarged MCT Group's GP margin was 37.8% for the FYE 30 June 2014 which was lower compared to 40.0% for the previous financial year. The decrease in GP margin for the FYE 30 June 2014 was mainly contributed by the property development segment which experienced a disproportional increase in cost of sales by 35.5% against an increase in revenue by 25.4% for the FYE 30 June 2014. This was mainly due to the following:

- GP margin of The Place @ OneCity decreased from 53.5% for the FYE 30 June 2013 to 27.9% for the FYE 30 June 2014. This was due to revenue decreasing by 56.0%, while cost of sales was relatively higher where it only decreased by 31.6%. The higher cost of sales was mainly due to the additional cost of construction for a link bridge and the recognition of the bulk of the remaining costs as the property development project was completed in June 2014. Despite the decrease in GP margin for the FYE 30 June 2014, The Place @ OneCity achieved an aggregated GP margin of 46.9% from the FYE 30 June 2010 up to FYE 30 June 2014.
- GP margin of The Place @ Cyberjaya decreased from 51.3% for the FYE 30 June 2013 to 31.7% for the FYE 30 June 2014. This was mainly due to an increase in cost of sales by 57.3% compared to the disproportionate increase in revenue of 12.0%. This was mainly due to higher development cost incurred during this financial year under review, which consisted of additional labour costs, upgrading works, and additional machinery and operational costs incurred during the prolonged period of construction. Furthermore, the expected completion of the said project in the first quarter of 2015, instead of the initial scheduled completion date of July 2014, also partly contributed to the higher development cost.

Despite the decrease in GP margin for the FYE 30 June 2014, the entire project of The Place @ Cyberjaya achieved an aggregated GP margin of 43.7% from the FYE 30 June 2010 up to FYE 30 June 2014.

The decrease in GP margin from the property development segment was partially compensated by the following projects:

- GP margin of Sky-Park @ OneCity increased from 29.9% for the FYE 30 June 2013 to 52.6% for the FYE 30 June 2014. This was mainly attributed to the sale of Corporate Office Tower on an en-bloc basis, which contributed revenue of RM82.5 million and GP of RM63.8 million for the FYE 30 June 2014. The GP margin for this transaction was 77.3%. The GP margin from the sale of the Corporate Office Tower was partially offset by the gross loss margin incurred from the sale of other types of properties under the Sky-Park @ OneCity project, which was due to the additional operation and development cost recognised for the FYE 30 June 2014.
- Sky-Park @ Cyberjaya achieved a GP margin of 36.7% for the FYE 30 June 2014, which was contributed by the serviced apartments at 39.8%, SOFO at 33.7%, and offices at 36.0% in Sky-Park @ Cyberjaya.

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Despite the decrease in GP margin from the property development segment during this financial year under review, the Enlarged MCT Group generated an aggregated GP of RM351.6 million with an aggregated GP margin of 44.9% from the property development segment between the FYE 30 June 2010 and FYE 30 June 2014.

GP Margin of Other Activities

The decrease in the overall GP margin was partially offset by the improvement in GP margin from the construction segment, where its GP margin improved from a gross loss margin of 16.3% for the FYE 30 June 2013 to a GP margin of 11.1% for the FYE 30 June 2014. The positive GP margin was contributed by the civil and building works for Universiti Teknologi MARA.

4.2 Results of Operations for the FPE 31 December 2014

The following is an analysis for the FPE 31 December 2014 based on the assumption that Enlarged MCT Group's structure has been in existence throughout the financial periods under review.

(i) Revenue

The table below sets forth the breakdown of the Enlarged MCT Group's revenue by property development projects:

Revenue	Commencement*	Completion	Unaudited six months FPE 31 December			
			2013		2014	
			RM'000	%	RM'000	%
<u>Property Development</u>			77,696	77.0[^]	165,734	61.4
<i>Subang Jaya</i>						
Garden Shoppe @ OneCity	2008	2012	386	0.4	-	-
Sky-Park @ OneCity	2009	2013	22,563	22.4	4,690	1.7
The Place @ OneCity	2011	June 2014	11,553	11.5	1,504	0.6
The Square @ OneCity	2012	3Q 2015	10,237	10.1	43,067	16.0
<i>Cyberjaya</i>						
The Place @ Cyberjaya	2011	1Q 2015	32,957	32.7	28,176	10.4
Sky-Park @ Cyberjaya	2012	2018	-	-	53,131	19.7
LakeFront Residence	2013	2019	-	-	23,369	8.7
LakeFront Villas	2014	2017	-	-	11,797	4.3
<u>Other Activities</u>			23,120	23.0	103,896	38.6
Construction	-	-	23,120	23.0	81,907	30.4
Services ⁽¹⁾	-	-	-	-	21,989	8.2
Total			100,816	100.0	269,630	100.0

APPENDIX III(B) BUSINESS OVERVIEW AND FINANCIAL INFORMATION OF THE ENLARGED MCT GROUP (CONT'D)

Notes:

- [^] Total does not add-up due to rounding.
- ^{*} Year of project commencement and completion/expected completion for property development projects.
- (1) Comprises income generated from other business activities, which include leasing of properties, operation of commercial space, operation of hotel and supply of centralised air conditioning using chilled water system.

The Enlarged MCT Group's revenue grew by 167.4% from RM100.8 million for the six months FPE 31 December 2013 to RM269.6 million for the FPE 31 December 2014.

Property development

The revenue from the property development segment increased by 113.3% from RM77.7 million for the six months FPE 31 December 2013 to RM165.7 million for the FPE 31 December 2014. The increase in revenue was mainly due to the following projects:

- Commencement of revenue contribution from the (i) LakeFront @ Cyberjaya project which comprises LakeFront Residence and Lakefront Villas which contributed RM35.2 million to the total revenue or 13.0% of the Enlarged MCT Group's total revenue for the FPE 31 December 2014 and (ii) Sky-Park @ Cyberjaya, for the FPE 31 December 2014 which contributed RM53.1 million to the total revenue or 19.7% of the Enlarged MCT Group's total revenue for the FPE 31 December 2014; and
- Revenue from The Square @ OneCity increased by 322.5% from RM10.2 million for the six months FPE 31 December 2013 to RM43.1 million for the FPE 31 December 2014.

However, the increase in revenue derived from the above property development projects was partially offset by the decrease in revenue from mainly two on-going projects:

- Revenue from SkyPark @ OneCity decreased by 79.2% from RM22.6 million for the six months FPE 31 December 2013 to RM4.7 million for the FPE 31 December 2014. A small proportion of revenue was still recorded for this development in the FPE 31 December 2014, despite its completion in 2013, for its final recognition of revenue; and
- Revenue from The Place @ OneCity decreased by 87.0% from RM11.6 million for the six months FPE 31 December 2013 to RM1.5 million for the FPE 31 December 2014. A small proportion of revenue was still recorded for this development in the FPE 31 December 2014, despite its completion in June 2014, for its final recognition of revenue.

Other activities

Revenue from the construction segment increased by 254.5% from RM23.1 million for the six months FPE 31 December 2013 to RM81.9 million for the FPE 31 December 2014. This increase was attributed to the on-going civil and building works project in Dengkil for Universiti Teknologi MARA.

APPENDIX III(B) BUSINESS OVERVIEW AND FINANCIAL INFORMATION OF THE ENLARGED MCT GROUP (CONT'D)

For the FPE 31 December 2014, revenue from other services undertaken by the Enlarged MCT Group which include leasing of properties, operation of commercial space, operation of hotel and supply of centralised air conditioning in buildings using chilled water system contributed RM22.0 million or 8.2% of the Enlarged MCT Group's total revenue. Revenue from other services was classified under other income for the six months FPE 31 December 2013.

(ii) Cost of Sales

The table below sets forth the breakdown of the Enlarged MCT Group's cost of sales by property development projects:

Cost of Sales	Unaudited six months FPE 31 December			
	2013		2014	
	RM'000	%	RM'000	%
Property Development	48,007[^]	70.0[^]	94,959	57.5
<i>Subang Jaya</i>				
Garden Shoppe @ OneCity	203	#	238	0.1
Sky-Park @ OneCity	22,143	32.4	4,277	2.6
The Place @ OneCity	6,151	9.0	673	0.4
The Square @ OneCity	4,526	6.6	16,364	10.0
<i>Cyberjaya</i>				
The Place @ Cyberjaya	14,983	21.9	18,446	11.1
Sky-Park @ Cyberjaya	-	-	32,475	19.7
LakeFront @ Cyberjaya	-	-	22,486	13.6
Other Activities	20,329	30.0	70,085	42.5
Construction	20,329	30.0	47,027	28.5
Services ⁽¹⁾	-	-	23,058	14.0
Total	68,336	100.0	165,044	100.0

Notes:

Negligible.

[^] Total does not add-up due to rounding.

(1) Comprises costs incurred from other business activities, which include leasing of properties, operation of commercial space, operation of hotel and supply of centralised air conditioning using chilled water system.

The Enlarged MCT Group's cost of sales grew by 141.5% from RM68.3 million for the six months FPE 31 December 2013 to RM165.0 million for the FPE 31 December 2014.

Property development

The cost of sales from the property development segment increased by 97.9% from RM48.0 million for the six months FPE 31 December 2013 to RM95.0 million for the FPE 31 December 2014. The increase in cost of sales was mainly due to the following projects:

- Commencement of recognition of cost of sales from the (i) LakeFront @ Cyberjaya's project which accounted for RM22.5 million or 13.6% of the total cost of sales of the Enlarged MCT Group for the FPE 31 December 2014 and (ii) Sky-Park @ Cyberjaya's project which accounted for RM32.5 million or 19.7% of the total cost of sales of the Enlarged MCT Group for the FPE 31 December 2014; and
- The Square @ OneCity's cost of sales increased by 262.2% from RM4.5 million for the six months FPE 31 December 2013 to RM16.3 million for the FPE 31 December 2014.

The increase in the cost of sales of the above property development projects was partially offset by the following projects:

- Cost of sales from SkyPark @ OneCity development decreased by 80.5% from RM22.1 million for the six months FPE 31 December 2013 to RM4.3 million for the FPE 31 December 2014. This was mainly due to the recognition of the remaining cost of the development as the property development project was completed in 2013; and
- Cost of sales from The Place @ OneCity development decreased by 88.7% from RM6.2 million for the six months FPE 31 December 2013 to RM0.7 million for the FPE 31 December 2014. This was mainly due to the recognition of the remaining cost of the development as the property development project was completed in June 2014.

Other activities

Cost of sales from the construction segment increased by 131.5% from RM20.3 million for the six months FPE 31 December 2013 to RM47.0 million for the FPE 31 December 2014. The increase in cost of sales was attributed to the cost contributed by the civil and building works in Dengkil for Universiti Teknologi MARA.

For the FPE 31 December 2014, cost of sales arising from other services undertaken by the Enlarged MCT Group which include leasing of properties, operation of commercial space, operation of hotel and supply of centralised air conditioning in buildings using chilled water system contributed RM23.1 million or 14.0% of the Enlarged MCT Group's total cost of sales. Cost of sales from other services was classified under other operating expenses for the six months FPE 31 December 2013.

APPENDIX III(B) BUSINESS OVERVIEW AND FINANCIAL INFORMATION OF THE ENLARGED MCT GROUP (CONT'D)

(iii) GP

The table below sets forth the breakdown of the Enlarged MCT Group's GP by property development projects:

Gross Profit (GP)	Unaudited six months FPE 31 December			
	2013		2014	
	RM'000	%	RM'000	%
Property Development	29,689[^]	91.0[^]	70,775	67.7
<i>Subang Jaya</i>				
Garden Shoppe @ OneCity	183	0.1	(238)	(0.2)
Sky-Park @ OneCity	420	1.3	413	0.4
The Place @ OneCity	5,402	16.6	831	0.8
The Square @ OneCity	5,711	17.6	26,703	25.5
<i>Cyberjaya</i>				
The Place @ Cyberjaya	17,974	55.3	9,730	9.3
Sky-Park @ Cyberjaya	-	-	20,656	19.8
LakeFront @ Cyberjaya	-	-	12,680	12.1
Other Activities	2,791	9.0	33,811	32.3
Construction	2,791	9.0	34,880	33.3
Services ⁽¹⁾	-	-	(1,069)	(1.0)
Total	32,480	100.0	104,586	100.0

Notes:

[^] Total does not add-up due to rounding.

(1) Comprises gross loss generated from other business activities, which include leasing of properties, operation of commercial space, operation of hotel and supply of centralised air conditioning using chilled water system.

The Enlarged MCT Group's GP increased by 221.8% from RM32.5 million for the six months FPE 31 December 2013 to RM104.6 million for the FPE 31 December 2014.

Property development

The increase was mainly attributed to the GP from the property development projects which accounted for RM70.8 million or 67.7% of the total GP for the FPE 31 December 2014. The GP from this segment increased 138.4% from RM29.7 million for the six months FPE 31 December 2013 to RM70.8 million for the FPE 31 December 2014 which were mainly contributed by the LakeFront @ Cyberjaya, Sky-Park @ Cyberjaya and The Square @ OneCity projects.

Other activities

The GP from the construction segment accounted for RM34.9 million or 33.3% of the total GP for the FPE 31 December 2014. The GP from this segment increased 1146.4% from RM2.8 million for the six months FPE 31 December 2013 to RM34.9 million for the FPE 31 December 2014 which was attributed to the on-going civil and building works project in Dengkil for Universiti Teknologi MARA.

APPENDIX III(B) BUSINESS OVERVIEW AND FINANCIAL INFORMATION OF THE ENLARGED MCT GROUP (CONT'D)

For the FPE 31 December 2014, the GP arising from other services undertaken by the Enlarged MCT Group which include leasing of properties, operation of commercial space, operation of hotel and supply of centralised air conditioning in buildings using chilled water system recorded a gross loss of RM1.1 million which was mainly due to a higher proportion of cost of sales incurred relative to the recorded revenue during the financial period. This was mainly due to rental commitment pursuant to the leaseback arrangements that would have to be fulfilled by the Enlarged MCT Group despite not being able to secure full tenancy for Sky-Park @ OneCity.

(iv) Cash Flows

The following is a summary of the Enlarged MCT Group's combined cash flow for the FPE 31 December 2014 and should be read in conjunction with the unaudited combined financial statements of the Enlarged MCT Group for FPE 31 December 2014 in Appendix VII of this Prospectus.

FPE 31 December 2014	RM'000
Net cash used in operating activities	(45,724)
Net cash used in investing activities	(39,182)
Net cash from financing activities	47,606
Net decrease in cash and cash equivalents	(37,300)
Foreign currency translation differences	-
Cash and cash equivalents at beginning of financial year	88,178
Cash and cash equivalents at end of financial year⁽¹⁾	50,878

Note:

(1) *Components of cash and cash equivalents as at 31 December 2014:*

	RM'000
<i>Fixed deposits with licensed banks</i>	15,645
<i>Cash and bank balances</i>	51,518
	67,163
<i>Less: Fixed deposits pledged to licensed banks</i>	(12,579)
<i>Less: Bank overdrafts</i>	(3,706)
	50,878

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**APPENDIX III(B) BUSINESS OVERVIEW AND FINANCIAL INFORMATION OF THE ENLARGED
MCT GROUP (CONT'D)**

Based on the unaudited combined statement of cash flows of the Enlarged MCT Group, the Enlarged MCT Group has recorded a negative cash flow from its operating activities of RM45.7 million for the FPE 31 December 2014 due to the following:

- Increase in property development costs of RM37.0 million which was mainly attributed to the following reasons:
 - property development costs of RM22.4 million incurred due to the commencement of three new development projects, namely Phase 3, OneCity @ USJ, Phase 1 CyberSouth, and Phase 2 – CyberSouth projects. The said three projects have not been launch for sales yet as of 31 December 2014. However, certain initial construction activities have commenced and in this respect, some of the related costs have already been paid for and this includes, the cost for Earthworks, consultants' fee for the preparation of the building structural and infrastructure plans to be submitted to the relevant authorities for approval, and quit rent and assessment expenses.
 - property development costs of RM20.2 million incurred on existing property development projects, namely LakeFront Residence and LakeFront Villas, mainly on property units remaining unsold as of 31 December 2014. As these units are unsold as of 31 December 2014, there are no cash collections from any initial deposits and subsequent progressive billings from these units for the FPE 31 December 2014. However, construction cost continues to be incurred as construction progresses, resulting in the cash outflow.
- Increase in accrued billings of RM66.9 million which arose as a result of the excess of contract revenue recognised in profit or loss over actual billings to purchasers for the following projects:
 - LakeFront Residence and LakeFront Villas have incurred cash outflows for piling works as of 31 December 2014. As the piling works are only anticipated to be completed by April 2015, the Enlarged MCT Group has not reached the progress milestone which will enable it to bill its purchasers. As a result of this, there is a timing difference between receipts from its purchasers and the payments made by the Enlarged MCT Group for the construction work done.
 - The Place @ Cyberjaya has not made the relevant billing of RM21.8 million as there has been a delay in the delivery of vacant possession by the Enlarged MCT Group to its purchasers. The initial scheduled completion date for the project was by end of 2014 but it is now expected to be completed in the first quarter of 2015. As a result, the Enlarged MCT Group has not made the billing to its purchasers as of 31 December 2014.
 - The Square @ One City has not made the relevant billing of RM24.6 million to its purchasers as the Enlarged MCT Group has not received the necessary architect's certificate as of 31 December 2014. As a result, the Enlarged MCT Group has not made the billing to its purchasers as of 31 December 2014.

APPENDIX III(B) BUSINESS OVERVIEW AND FINANCIAL INFORMATION OF THE ENLARGED MCT GROUP (CONT'D)

- The increase in trade receivables is due mainly to the increase in amount owing by B&G Corporation Sdn Bhd. As of 31 December 2014, the amount owing by B&G Corporation Sdn Bhd amounted to RM78.4 million for the construction of "Pembangunan Pusat Asasi Universiti Teknologi MARA (UITM) Dengkil, Daerah Sepang, Selangor". Generally, upon the receipt of the progress billing from the Enlarged MCT Group, B&G Corporation Sdn Bhd will usually take two to three months to verify the progress billing before making payment. Hence, there is a timing difference between billings and collection from B&G Corporation Sdn Bhd due to the time required for the verification process by B&G Corporation Sdn Bhd.

As a result of the above, the Enlarged MCT Group has recorded a negative cash flow of RM45.7 million from its operating activities for the FPE 31 December 2014 due mainly to the timing differences between the receipts from its purchasers/customer and the payments made for the construction works/cost incurred. Nevertheless, the management of MCT Consortium is of the opinion that the negative cash flows from operating activities for the FPE 31 December 2014 of the Enlarged MCT Group are temporary in nature. Further, the management of MCT Consortium is confident that the Enlarged MCT Group is able to achieve positive cash flows from operating activities for the FYE 30 June 2015.

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31 January 2015

The Board of Directors
GW Plastics Holdings Berhad
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Dear Sirs

Independent Assessment of the Property Development Industry in Malaysia

The following is an Independent Assessment of the Property Development Industry in Malaysia prepared by Vital Factor Consulting Sdn Bhd (Vital Factor Consulting) for inclusion in the Prospectus issued by GW Plastics Holding Berhad as part of its regularisation plan which includes, amongst others, the acquisition of the entire issued and paid-up share capital of MCT Consortium Bhd after the completion of reorganisation exercise. MCT Consortium Bhd herein together with all or any one or more of its subsidiaries will be referred to as the "Enlarged MCT Group".

1. OVERVIEW OF THE PROPERTY DEVELOPMENT INDUSTRY

1.1 Overview

- The property market contains many sectors, each of which has its own distinctive features. The overall property market in Malaysia can be broadly segmented into residential, commercial, industrial, leisure, institutional, amenities, agricultural and development land. This is discussed in some detail below:
 - (a) Residential properties includes any building, which is wholly or principally constructed, adapted or intended for human habitation or partly for human habitation and partly for commercial activities. Terraced, semi-detached, detached, low-cost units, flats, apartment/condominium, clustered units, serviced apartments, town houses and small-office-home-office (SOHO) are all regarded as residential properties. The residential property market is heavily regulated in Malaysia where the development, and sales and purchase of residential properties are governed under the Housing Development (Control and Licensing) Act 1966.
 - (b) Commercial properties are properties meant for profit generating purposes only. This includes shop units, shop offices, purpose-built offices and shopping complexes.
 - (c) Industrial properties consist mainly of factories used for manufacturing activities, and warehouses for storage purposes.



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- (d) The leisure property market mainly covers hotel, motel, service apartments, resort, recreational park, golf course and marina. Additionally, serviced apartments with a hotel operator's licence are also perceived as a leisure property.
 - (e) Institutional properties cover mainly properties and buildings developed for specific functions to service or to be used by the public or special groups. They include government buildings, police barracks, medical centres and schools.
 - (f) Amenities are mainly properties designed for use by the public for recreational and other general purposes in the public domain. Infrastructures are properties developed to provide basic facilities and services for the functioning of communities or nation.
 - (g) Development land includes land that has not been converted or land that has been approved for use in a different category of land use other than its originally approved land use category.
 - (h) The agricultural property market covers land suitable for agricultural production, for both crops and livestock. In Malaysia, this includes rubber estates, oil palm, coconut, cocoa and pineapple plantation, paddy fields, orchard/horticulture, estate land, and kampung (village) land. In 2013, the agricultural property market was the second most active market with 18.5% of total volume of property transactions in Malaysia. This was boosted by several Government initiatives such as the Economic Transformation Programmes to uplift rural incomes and ensuring national food security.
- The Enlarged MCT Group is mainly involved in property development supported by in-house construction capabilities. Its current and future activities in property development are focused on the residential, commercial and leisure sectors located in the districts of Petaling and Sepang. In addition, the Enlarged MCT Group also intends to undertake property management of commercial properties and operation of leisure properties namely hotels. As such, this report will cover the Property Development Industry and sub-sectors within the industry as well as construction sector as a supporting activity. Furthermore, as the Enlarged MCT Group's future plan also involves property development in Tebrau, Johor, this report will also include the prospects and outlook of the Property Development Industry in Johor.



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1.2 Industry Structure of Property Development

- The Property Development Industry may be broadly segmented into the following sectors:

Structure of the Property Development Industry

Residential	Commercial	Industrial	Leisure
<ul style="list-style-type: none"> Terraced House⁽¹⁾ Semi-Detached⁽²⁾ Detached⁽³⁾ Flat/Apartment/Condominium⁽⁴⁾ Clustered Units Town houses Serviced apartment/SOHO⁽⁵⁾ Land for residential development A subdivided lot for one house⁽⁶⁾ 	<ul style="list-style-type: none"> Offices Purpose-built office block Office space in shop office Shop & Shopping Complex Pre-war shop Post-war shop Retail lot in shopping complex Lock-up shop⁽⁷⁾ Vacant plot 	<ul style="list-style-type: none"> Factory Warehouse Industrial complex Flatted factory Industrial site/plot 	<ul style="list-style-type: none"> Hotel Serviced Apartments⁽⁸⁾ Motel Resort Recreational park Golf Course Marina
Institutional	Amenities/ Infrastructure	Development Land ⁽⁸⁾	Agricultural/Rural
<ul style="list-style-type: none"> Government buildings Educational institutions Financial institutions Medical centres Police barracks 	<ul style="list-style-type: none"> Recreational parks Sports stadiums Public swimming pools Airports Ports Railway stations 	<ul style="list-style-type: none"> Residential Commercial Industrial Mixed 	<ul style="list-style-type: none"> Estate land Forestry Kampong land Rubber Oil Palm Paddy Coconut Cocoa Pineapple Orchard/Horticulture/ Vegetable

Enlarged MCT Group operates within these sectors

Notes:

- Terraced house includes single storey low-cost and standard, double storey low-cost, medium-cost/economy and standard, and 2 to 3-storey;
- Semi-detached includes low-cost, medium-cost, single storey, double storey, and 2 to 3-storey;
- Detached includes among others, single storey within housing estate, double storey within housing estate and individually-designed;
- Flat/Apartment/Condominium includes low-cost flats, 1 to 2 bedrooms, and 3 bedrooms or more;
- Serviced apartment/SOHO are units developed on commercial land but intended partly for habitation and partly as business premises;
- Includes single plot and small site;
- Shop unit on ground floor of flat/apartment block;
- Owned by companies who operate them with a hotel operator's licence;
- Including land that has not been converted or land that has been approved for use in a different category of land use other than its originally approved land use category.

(Source: Valuation and Property Services Department, Ministry of Finance)



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1.3 Supporting Operations of Property Development

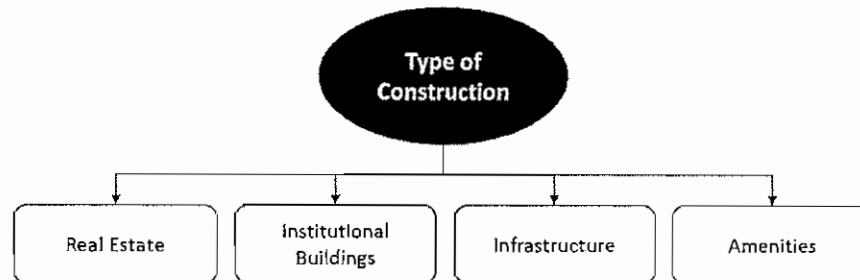
- Generally, the property development is supported by two major operations:

Supporting Operations of Property Development



Construction

- Although the construction sector is an industry in its own right, it plays a key role in the Property Development Industry, whereby construction is part of the process of developing the property through the construction of buildings, infrastructure, amenities, facilities and other structures.
- There are four distinct types of construction activities as depicted in the diagram below:



- Real estate construction is focused on constructing physical buildings for habitation, commercial or industrial use.
- Institutional buildings are focused on civic buildings that can be publicly or privately funded. Some of these structures include the following:
 - medical centres;
 - educational institutions;
 - nursing homes.
- Infrastructure construction is focused on the building of structures and facilities to enable an economy to operate effectively and efficiently, and to facilitate community living, development and advancement. Some of these structures include the following:
 - roads and highways;
 - utilities such as water supply system, sewerage system, telecommunications, power grid, and gas pipelines;
 - major public structures and installations such as water dams, tunnels, bridges, airports, seaports, railways and mass transit systems.



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- Construction of amenities is focused on the building of structures and facilities for the comfort, convenience and leisure of the community. Some of these structures include the following:
 - community centres and clubs;
 - sport stadiums;
 - recreational parks;
 - swimming pools;
 - libraries;
 - museums;
 - theatres.

Supporting Services

- Some of the main supporting services directly relevant to the Property Development Industry include the following:
 - Town planning;
 - Environmental science;
 - Architecture;
 - Engineering;
 - Interior design;
 - Legal;
 - Estate valuation;
 - Project management;
 - Market research;
 - Advertising and promotions;
 - Real estate sales.

- Some of the supporting services that are focused on the construction sector include the following:
 - Civil and structural engineering;
 - Mechanical and electrical engineering;
 - Mineral, mining, soil and geotechnical;
 - Quantity surveying;
 - Land surveying;
 - Landscaping.

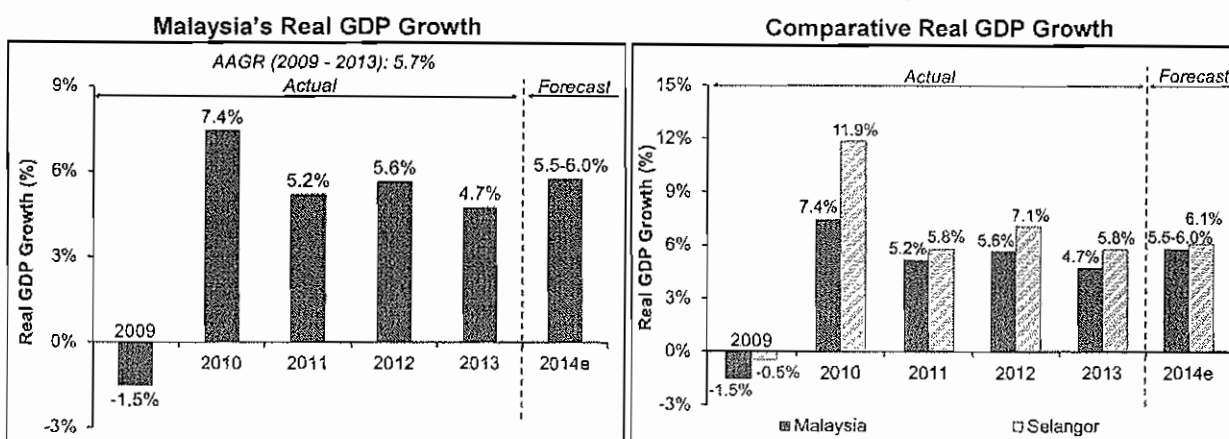


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2. MACROECONOMIC INDICATORS

2.1 Economic Growth in Malaysia

- Growth in the economy, represented by gross domestic product (GDP), would have a positive impact on the Property Development Industry.



Note: e=estimate

(Sources: Bank Negara Malaysia; Ministry of Finance; Department of Statistics, Malaysia; Selangor State Government)

- Overall, Malaysia's key economic indicator in terms of real GDP grew at an average annual growth rate (AAGR) of 5.7% between 2009 and 2013. An exception to the growth during this period was in 2009 when the economy contracted by 1.5% amidst the slowdown of the global economy. In 2013, the Malaysian economy grew by 4.7% which was slower compared to 5.6% in the previous year. In 2013, growth was driven by domestic demand and underpinned by steady private sector spending in both consumption and investment activities. While domestic demand in Malaysia remained strong during the first half of 2013, the prolonged weakness in the external sector affected the overall growth performance of the economy, which resulted in a moderate growth of 4.1% and 4.4% in the first and second quarter respectively. In the second half of 2013, exports showed improvements and coupled with the stable domestic demand, the Malaysian economy grew by 5.0% and 5.1% in the third and fourth quarter of 2013 respectively. (Source: Bank Negara Malaysia)
- In line with the moderation of Malaysia's economic growth in 2013, the real GDP of Selangor grew by 5.8% in 2013, a slower pace compared to 7.1% in 2012. The moderate growth rate in 2013 was attributed to the sluggish performance of the agricultural sector which recorded a negative growth rate of 1.9% in 2013 as well as a slower growth rate of several economic sectors namely mining and quarrying, manufacturing and services sector as compared to 2012 (Source: Department of Statistics, Malaysia).
- During the first quarter of 2014, the Malaysian economy grew by 6.2% and growth was attributed to an expansion in domestic demand and turnaround in net exports with growth in exports outpacing the growth of imports. Additionally, in the second quarter of 2014, the Malaysian economy registered a stronger growth of 6.4% supported by higher exports and private domestic demand. Real



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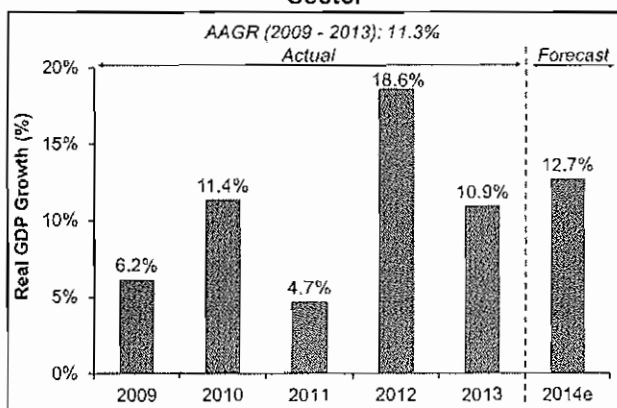
exports of goods and services grew at a faster pace while growth in real imports of goods and services moderated, resulting in a significant improvement in net exports. Furthermore, positive growth from construction, manufacturing, services, agricultural and mining sectors was attributed to the growth in the second quarter of 2014. In the third quarter of 2014, the Malaysian economy expanded by 5.6%, mainly supported by growth in domestic demand from private sector consumption and investment, and continued positive growth in net exports of goods and services. (Source: Bank Negara Malaysia)

- With strong growth evident in the first nine months of 2014, the Malaysian economy was expected to register a higher than expected growth between 5.5% and 6.0% for the full year of 2014. This was underpinned by strong macroeconomic fundamentals such as high savings and foreign reserves, manageable inflation, stable labour market conditions and a sound financial system (Source: Ministry of Finance Malaysia). On the other hand, the economic momentum in Selangor for 2014 is expected to achieve a forecasted GDP growth of 6.1% (Source: Selangor State Government).
- For 2015, the Malaysian economy forecasted growth was revised from between 5.0% and 6.0% to between 4.5% and 5.5% on 20 January 2015 mainly as a result of the fall in crude oil prices which in turn have a negative effect on the Malaysian economy. (Source: Ministry of Finance Malaysia).

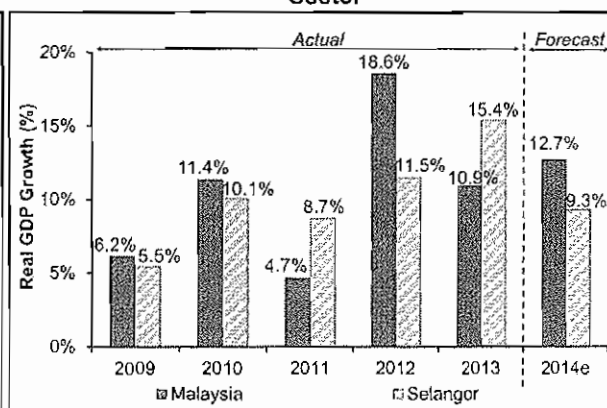
2.2 Construction Sector

- The performance of the construction sector, which is a key indicator of a nation's development, contributes to the overall growth of an economy. The construction sector has a multiplier effect on the economy due to the creation of employment as well as the generation of output, raw materials and services associated with businesses that supply and/or service the construction industry directly or indirectly. As the construction sector is linked to the Property Development Industry, the following section assesses the performance of this sector.

Malaysia's Real GDP Growth of the Construction Sector



Comparative Real GDP Growth of the Construction Sector



Note: e=estimate

(Sources: Bank Negara Malaysia; Ministry of Finance; Department of Statistics, Malaysia; Selangor State Government)



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- The construction sector in Malaysia has been experiencing growth between 2009 and 2013. In 2009, the construction sector in Malaysia experienced a real GDP growth of 6.2% despite a 1.5% contraction in Malaysia's real GDP. In 2013, the construction sector in Malaysia grew by 10.9% driven by robust expansion in the residential, non-residential and civil engineering sub-sectors. The civil engineering sub-sector continued to expand albeit at a slower pace following the completion of major infrastructure projects and oil and gas related projects in 2013 such as the Second Penang Bridge, Sabah-Sarawak Gas Pipeline and Sabah Oil and Gas Terminal. In addition, on-going projects such as the first phase of the Mass Rapid Transit (MRT) Sungai Buloh-Kajang line, LRT extension line, and Tanjung Bin and Manjung power plants were the key drivers of growth in the civil engineering sub-sector. The growth of the residential sub-sector was contributed by the construction of high rise and high end properties in Klang Valley, Penang and Johor while the non-residential sub-sector experienced an increase in the construction of the commercial and industrial projects. (Source: Bank Negara Malaysia)
- The construction sector in Selangor recorded significant growth of 15.4% in 2013. This was attributed to the active construction activities from construction projects such as MRT Sungai Buloh-Kajang line, LRT extension line as well as construction of high rise and high end properties in Selangor (Source: Bank Negara Malaysia). However, the construction sector in Selangor was expected to slow down to 9.3% in 2014. (Source: Selangor State Government)
- During the first quarter of 2014, the construction sector grew by 18.9% and this was attributed to an expansion in the residential sub-sector with the construction of high-rise projects in the Klang Valley, Penang and Johor. This was supported by stronger growth performance in the commercial and industrial, and civil engineering sub-sectors within the overall construction sector. On-going projects in the civil engineering sub-sector such as the MRT line, LRT extension line, Tanjung Bin and Manjung power plants, and the expansion of the North-South Expressway remained as the key drivers of growth for this sub-sector. (Source: Bank Negara Malaysia)
- In the second quarter of 2014, the construction sector recorded a more moderate growth rate of 9.9% following the exceptionally strong growth in the previous quarter. The growth in the second quarter was driven mainly by the residential and non-residential sub-sectors. The residential sub-sector was supported by construction activities of high-end properties in Johor and Klang Valley. Growth was also supported by the non-residential sub-sector where construction activities of offices and retail buildings, factories and institutions of higher learning were active. In addition, rail and utility projects such as the MRT, LRT extension and Tanjung Bin power plant supported the civil engineering sub-sector, however at a more moderate pace following the completion of several large civil engineering projects. (Sources: Bank Negara Malaysia; Department of Statistics, Malaysia)
- The construction sector recorded a sustained growth of 9.6% in the third quarter of 2014, mainly attributed to growth in the residential and non-residential sub-sectors. The residential sub-sector continued to be supported by the construction of high-end properties in Klang Valley, Penang and Johor, while non-residential sub-sector was supported by on-going construction activities of offices, retail projects and storage facilities. In addition, new and existing infrastructure projects in the civil engineering sub-sector also contributed to the growth in the overall construction sector. (Source: Bank Negara Malaysia)

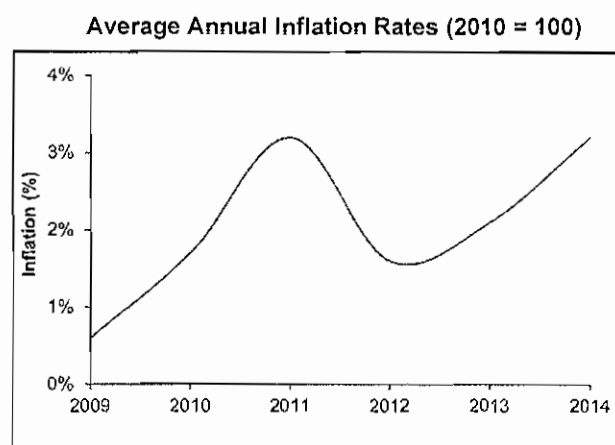


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- According to the Economic Report 2014/2015, the construction sector was estimated to grow by 12.7% for the full year of 2014, exceeding Bank Negara Malaysia's initial forecast of 10.0% in early 2014. On-going civil engineering projects, particularly oil and gas related activities and expansion of electricity power stations and transmission lines, will contribute significantly to the construction sector. These included, among others, the development of Floating Liquefied Gas 1 Project (FLNG 1) and Sabah Ammonia – Urea Plant (SAMUR) projects, and electricity power plants in Manjung and Seberang Prai, the on-going KVMRT Line 1, LRT extension line, expansion of Kuantan Port, extension of DUKE, construction of West Coast Expressway and Central Spine Road from Bentong to Kuala Krai. The residential sub-sector was expected to remain strong in view of the increased demand for housing, particularly from the middle-income group while activity in the non-residential sub-sector was expected to remain stable. (Sources: Bank Negara Malaysia; Ministry of Finance)

2.3 Inflation

- Inflation is measured through changes in consumer price index, and is strongly affected by energy and commodity price fluctuations including fuel and food prices. A high inflation rate has a dampening effect on the consumption of products and services in general due to reduction of spending power. Rising inflation may be a cause for concern if wages fail to keep pace with inflation. Nevertheless, for some investors, property is seen as an asset class that hedges against inflation.



(Source: Department of Statistics, Malaysia)

- Over the last six years, the average inflation rate reached its lowest at 0.6% in 2009 as it fell in tandem with economic growth rates which was influenced by weak global demand conditions. The inflation rate in 2013 increased and averaged at 2.1% following a series of subsidy cuts introduced by the Government in 2013.

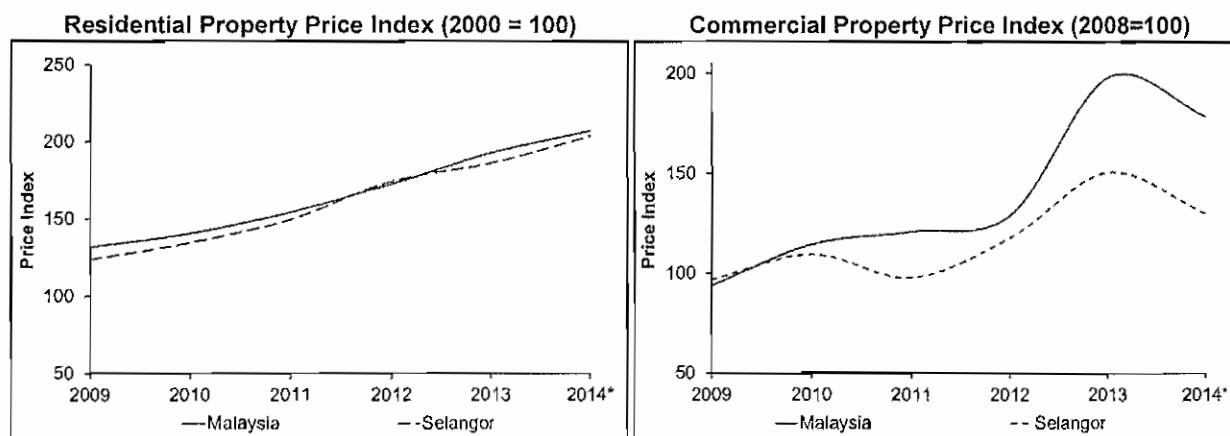


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- In the first quarter of 2014, the inflation rate averaged higher at 3.4% compared to 3.0% in the previous fourth quarter of 2013. The increase in inflation rate was attributed to higher rental and electricity tariffs as well as petrol prices of RON95 were reviewed upwards three times during the first quarter of 2014. In the second quarter of 2014, the inflation rate averaged at 3.3%, mainly due to lower inflation of food and non-alcoholic beverages, as well as housing, water, electricity, gas and other fuels. The inflation rate in the third quarter of 2014 averaged at a lower rate of 3.0%. The slight decline was attributed to the price adjustment for RON95 petrol and diesel in September 2014. In addition, the inflation of food and non-alcoholic beverages also registered a lower inflation due to the lower production cost in the poultry industry as global price of corn declined. (Source: Bank Negara Malaysia)
- For the full year 2014, Malaysia's inflation rate grew by 3.2%, which was lower than its initial forecast of 3.4%, which was mainly due to the effects of the fall in fuel prices. The higher inflation rate of 3.2% in 2014 compared to the preceding year was mainly due to domestic cost factors, which include the recent price adjustments arising from subsidy rationalisation and the spill over effects of these adjustments onto the prices of other goods and services (Sources: Department of Statistics, Malaysia; Ministry of Finance). Moving forward, any prices fluctuations in fuel and food prices would continue to have an impact on the inflation rates in Malaysia.

2.4 Property Price Trends

- An increase in the demand for properties will generally push prices on an upward trend while oversupply of properties may place downward pressure on property prices.



Note: * Data up to 30 Sept; (Sources: Valuation and Property Services Department, Ministry of Finance; computed by Vital Factor Consulting)

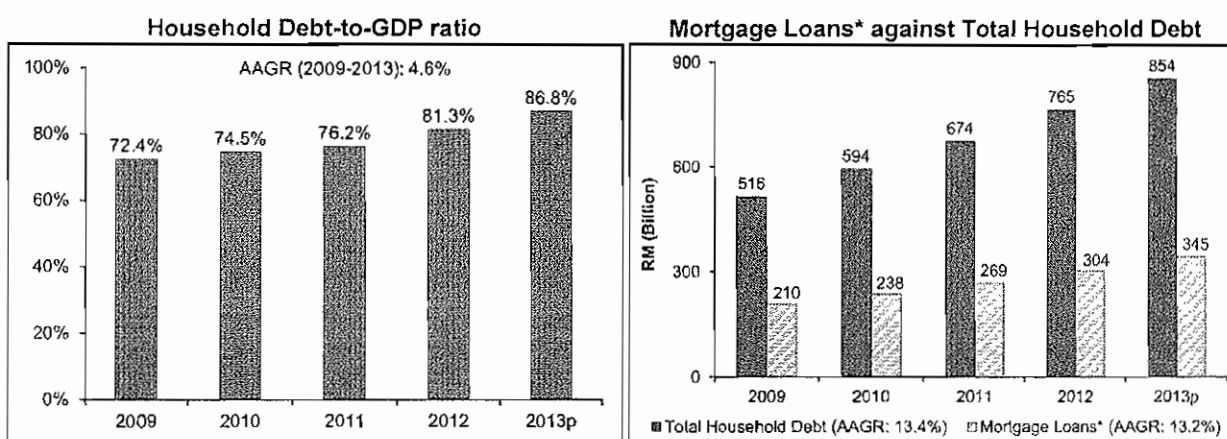
- The residential and commercial property prices in Malaysia and Selangor have been on an upward trend since 2009. The increase in housing prices in Malaysia has been largely driven by macroeconomic factors (e.g. real GDP, inflation, producer prices, population, consumer sentiments, ratio of housing transactions over housing stocks) and, to a lesser degree by financial variables (e.g. lending rates, FTSE Bursa Malaysia KLCI, deposit rates and money supply), Government regulations and policies (e.g. RFGT and LTV) (Source: Bank Negara Malaysia).



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2.5 Household Debt

- The level of household debt has an impact on the general affordability of households and individuals to purchase properties, residential properties as owner occupiers and all types of properties as investors. As properties are relatively high value items for households and individuals, they would generally require financing. As such, the ability to obtain financing and the capability to service financing would depend on the level of debt for each household or individual.
- The following section is an assessment of the household debt-to-GDP ratio and the level of mortgage loans against total household debt in Malaysia.



Notes: p = preliminary; * Mortgage loans here include loans from commercial banks, Islamic banks and investment banks;

(Source: Bank Negara Malaysia)

- Household debt includes mortgage loans, personal vehicle loans, credit card advances and other personal loans. Household debt-to-GDP ratio represents the size of the total household debt relative to the size of the economy.
- Rising household debt-to-GDP ratio indicates the financial vulnerability of the economy and households in meeting its debt obligations. This situation would normally prompt the Government to implement regulatory measures to reduce the level of debt. Any measures that are implemented could consequentially impact on the Property Development Industry.
- The household debt in Malaysia has been outpacing economic growth over the past five years. In 2013, the household debt grew at a slower pace of 11.7% compared to 13.5% in 2012. In 2013 the household debt in Malaysia reached RM854.3 billion with a household debt-to-GDP ratio of 86.8%. In 2013, mortgage loans constituted 40.4% of the total household debt in Malaysia.
- In line with the Malaysian Government's intention to contain the growth of the household debt, several pre-emptive measures have been implemented including the following:
 - Tenure of personal loans have been restricted to a maximum of 10 years from the previous 25 years;



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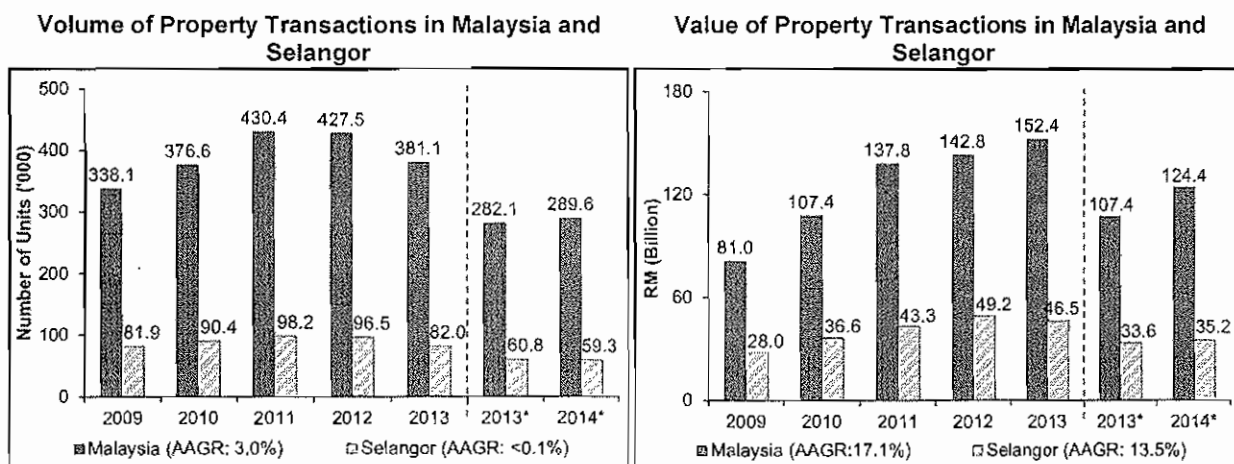
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- Tenure for financing of residential and non-residential properties are subjected to a maximum tenure of 35 years compared to the previous 45 years;
- Prohibition of financial institutions to provide financing for projects with the developers interest bearing scheme (DIBS) and the interest capitalisation scheme (ICS) which was effective 1st of January 2014 with the aim of reducing speculative activities;
- Tightening of the loan-to-value (LTV) ratio where all financial institutions have to use the net selling price of properties to determine the LTV ratio;
- Increase in the benchmark overnight policy rate (OPR) by 25 basis points or 0.25% to 3.25%, which will increase the base lending rate (BLR) and base financing rate (BFR).

3. DEMAND AND SUPPLY CONDITIONS

- The following section analyses the overall demand and supply conditions of the Property Development Industry in Malaysia as well as Selangor by examining existing stock and supply of residential and commercial properties that will be coming on-stream into the market. This section will also cover the supply of residential and commercial properties that are in the pipeline. The assessment of demand of property development market will be based on the volume and value of transactions for the different types of properties in Malaysia.
- This section will also cover the demand and supply conditions of leisure properties and property management as it is part of the Enlarged MCT Group's future plans.

3.1 Overall Property Transactions in Malaysia and Selangor



Note: * Data up to 30 Sept; AAGR between 2009 and 2013
(Source: Valuation and Property Services Department, Ministry of Finance)

- Historically, the Property Development Industry in Malaysia registered growth where volume and value of property transactions grew at an AAGR of 3.0% and 17.1% respectively between 2009 and 2013.



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- In 2013, the volume of property transactions in Malaysia declined by 10.9%, however the value of property transactions continued to increase by 6.7%. This indicates that property prices generally continued to increase, despite a decline in volume of transactions in Malaysia.
- Generally, the property market activities in Malaysia softened across the board with all sub-sectors recorded decreases in transaction activities in 2013. The commercial sub-sector led with a decline of 16.5% in volume transacted followed by industrial sub-sector which decreased by 15.7%, agricultural by 12.4%, residential by 9.7% and development land sub-sectors by 6.8% (*Source: Valuation and Property Services Department, Ministry of Finance*).
- In 2013, the decline in volume of property transactions was in line with the moderate economic growth, where GDP grew by 4.7%, the lowest growth since 2010. In addition, the upward revision of RPGT by 5% in the Budget 2013 which was effective in January 2013 had, to some extent, impacted on the property market.
- Between 2009 and 2013, the volume and value of property transactions in Selangor grew at an AAGR of less than 0.1% and 13.5% respectively. In 2013, the property market performance moderated with a decline in the volume and value of property transactions by 15.1% and 5.5% respectively. Similarly, the property market performance in Selangor for 2013 recorded a contraction across the sub-sectors led by a 26.9% decline in volume transaction in the commercial sub-sector, followed by a decline in the residential, development land, industrial and agricultural sub-sectors by 14.3%, 13.6%, 13.0% and 7.5% respectively.
- In the first three quarters of 2014, the volume and value of property transactions in Malaysia increased by 2.6% and 15.8% respectively compared to the corresponding period in 2013. Meanwhile, in the first three quarters of 2014, the volume of property transactions in Selangor declined by 2.4%, while the value of property transactions grew by 4.8% compared to the corresponding period in 2013. This indicates that property prices generally continued to increase, despite a decline in the volume of transactions in Selangor. Furthermore, the upward revision of RPGT up to a maximum of 30% (for properties disposed within 3 years) in the Budget 2014, effective in January 2014 has, to some extent, impacted on the property market.

3.2 Construction Activities

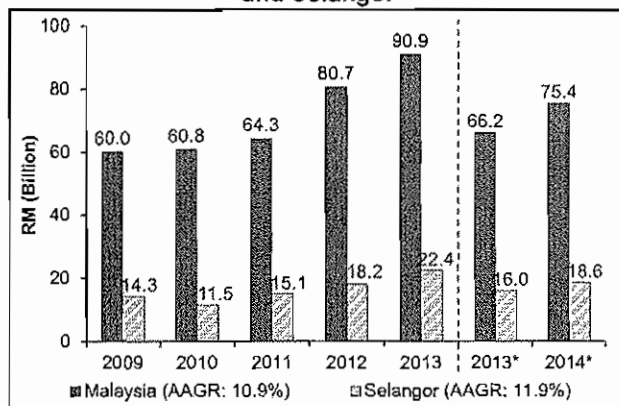
- The Enlarged MCT Group is an integrated property developer with in-house construction capabilities for its own properties as well as for external parties. As such, this section will cover the demand condition of the construction sector in Malaysia.



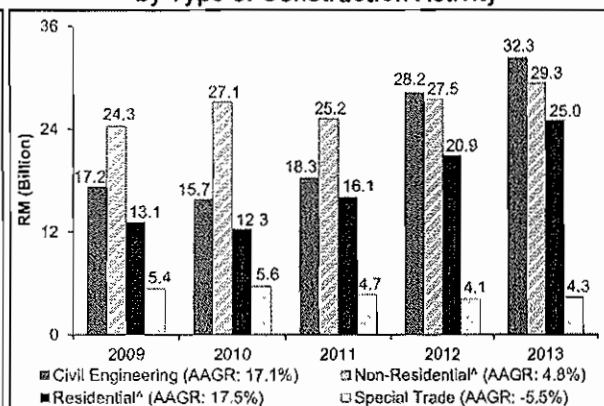
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3.2.1 Type of Construction Activity

Value of Construction Work Completed in Malaysia and Selangor



Value of Construction Work Completed in Malaysia, by Type of Construction Activity



* Data up to 30 Sept; ^ Refers to buildings; AAGR between 2009 and 2013

Notes:

- (1) All construction works completed referred to in this section covers all main contractors with project value of RM500,000 and above and registered with CIDB.
- (2) Special trade refers to the construction of parts of buildings and civil engineering works without responsibility for the entire project. It is usually specialised work applied across different structures or buildings or projects, requiring specialised skills and/or equipment.

(Source: Department of Statistics, Malaysia)

- Construction activities in Malaysia and Selangor grew at an AAGR of 10.9% and 11.9% respectively between 2009 and 2013 (Source: Ministry of Finance). In 2013, the construction of residential and non-residential buildings represented 59.7% of the total construction works in Malaysia. Residential building construction in 2013 were mainly driven by high rise and high-end properties in Klang Valley, Penang and Johor while non-residential building construction were driven by a pick-up in commercial and industrial projects (Source: Bank Negara Malaysia).
- The next largest subsector in Malaysia is civil engineering construction which involves the construction of roads and railways, utility projects, and other civil engineering projects, except buildings. In 2013, civil engineering construction amounted to 36% of the total construction works in Malaysia and these included, among others, Seremban-Gemas-Johor electrified double tracking project, extension of Kelana Jaya and Ampang Light Rail Transit (LRT) lines, the first phase of Sungai Buloh-Kajang MRT lines and the first phase of Subang Jaya-Sungai Buloh KTM Komuter line. In addition, the civil engineering construction activities in 2013 were also driven by the Economic Transformation Programme (ETP) projects such as Tanjung Bin and Manjung power plants. (Source: Ministry of Finance)
- In the first three quarters of 2014, the value of construction work completed in Malaysia amounted to RM75.4 billion. This represented a growth by 14.0% compared to the corresponding first three quarters in 2013 of RM66.2 billion. In the first three quarters of 2014, Selangor continued to record the highest value of construction work done at RM18.6 billion or 24.7% of the total construction work done in Malaysia. In the first three quarters of 2014, the value of construction work completed in Selangor grew by 15.9% compared to the corresponding period in 2013 (Source: Department of Statistics, Malaysia).



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3.2.2 Construction by Project Owner

Value of Construction Work Completed in Malaysia, by Project Owner

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Private Sector.....	30,001	30,475	40,369	53,022	63,199	20.5
Public Sector	30,014	30,317	23,889	27,645	27,676	(2.0)
Government	27,443	27,868	21,636	20,104	16,297	(12.2)
Public Corporation.....	2,571	2,449	2,253	7,541	11,379	45.0

	Q3 2013	Q3 2014	Growth Rate (%)
Private Sector.....	46,804	53,511	16.1
Public Sector	20,099	21,936 [^]	9.1
Government	12,251	11,169	(8.8)
Public Corporation.....	7,848	10,766	37.2

[^] Total does not add up due to rounding; All units in RM Million except percentages;

Notes:

- (1) All construction works completed referred to in this section covers all main contractors with project value of RM500,000 and above and registered with CIDB;
- (2) Public corporation consists of statutory bodies and non-statutory bodies which operate and manage government programmes and businesses. Examples of public corporations include Tenaga Nasional Berhad, Telekom Malaysia Berhad and Keretapi Tanah Melayu Berhad.

(Source: Department of Statistics, Malaysia)

- The private sector was the main driver of construction works in 2013. Between 2009 and 2013, the private sector recorded strong growth with an AAGR of 20.5%. In 2013, the value of construction work completed by project owners in the private sector amounted to RM63.2 billion.
- Meanwhile, public sector construction projects declined at an average annual rate of 2% between 2009 and 2013. In 2013, the majority of the public owned construction works completed were civil engineering construction works including projects from Tenaga Nasional Berhad's expansion in power generation and transmission system and Syarikat Prasarana Negara Berhad's (Prasarana) investment in the extension of Kelana Jaya and Ampang LRT lines (Source: Ministry of Finance).
- In the first three quarters of 2014, private sector construction projects continued to be the main driver of construction works representing 70.9% of total construction works compared to 69.6% in the corresponding period in 2013. This is in line with the Government's aim of encouraging the private sector to be the main driver of the economy. As such, some of the public and infrastructure works have been placed out to the private sector.



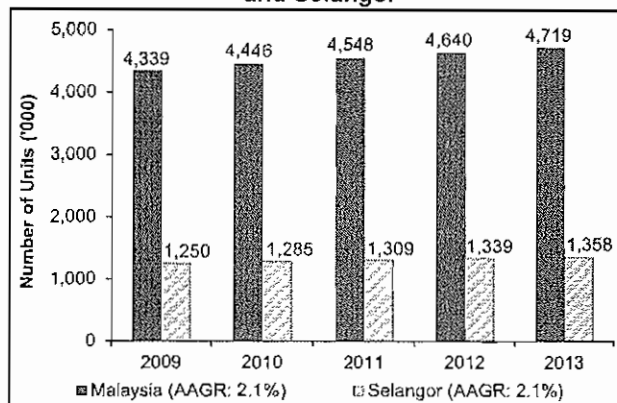
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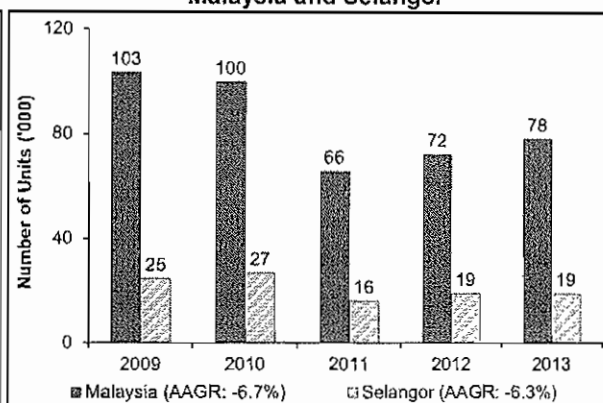
3.3 Residential Properties

3.3.1 Supply

Existing Stock of Residential Properties in Malaysia and Selangor



Building Completions of Residential Properties in Malaysia and Selangor



(Source: Valuation and Property Services Department, Ministry of Finance)

- The existing stock of residential properties in both Malaysia and Selangor grew at an AAGR of 2.1% between 2009 and 2013. In 2013, the existing stock of residential properties in Malaysia and Selangor continued to grow at 1.7% and 1.4% respectively. The growth in existing stock between 2009 and 2013 indicated a continuing supply of residential properties in the market in Malaysia and Selangor.
- Building completions of residential properties in Malaysia and Selangor declined at an average annual rate of 6.7% and 6.3% respectively between 2009 and 2013. However, when compared to 2011 to 2013, building completions of residential properties in Malaysia and Selangor grew by an AAGR of 9.0% and 8.5% respectively.

**Supply of Residential Properties in Malaysia and Selangor
Based on Third Quarter of 2013 and 2014**

	Q3 2013	Q3 2014	Growth Rate (%)
MALAYSIA			
Existing Stock.....	4,704,617	4,794,818	1.9
Building Completions.....	64,348	60,874	(5.4)
SELANGOR			
Existing Stock.....	1,355,595	1,372,475	1.2
Building Completions.....	16,544	9,233	(44.2)

(Source: Valuation and Property Services Department, Ministry of Finance)



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- In the first three quarters of 2014, building completions in Selangor decreased by 44.2% compared to the corresponding period in 2013. This was mainly contributed by a decline in starts in 2013 by 9.2% compared to 2012. (Please refer to Section 3.3.2 Future Supply for further details on number of starts of residential properties)

Existing Stock of Residential Units of Selected Types in Selected Districts in Selangor

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Petaling District						
Total residential units	450,550	460,132	469,458	476,708	482,615	1.7
Selected type of residential units:						
Condominium/Apartment	105,282	109,512	112,418	114,972	117,102	2.7
Serviced Apartment and SOHO	9,288	10,641	11,902	12,807	14,049	10.9
Selangor District						
Total residential units	44,596	46,728	48,444	50,493	52,263	4.0
Selected type of residential units:						
Condominium/Apartment	6,805	7,205	7,205	7,545	7,725	3.2
Serviced Apartment and SOHO	512	512	512	512	512	0
	Q3 2013	Q3 2014	Growth Rate (%)			
Petaling District						
Total residential units	481,581	487,780	1.3			
Selected type of residential units:						
Condominium/Apartment	116,558	118,540	1.7			
Serviced Apartment and SOHO	14,049	15,498	10.3			
Selangor District						
Total residential units	52,228	52,364	0.3			
Selected type of residential units:						
Condominium/Apartment	7,725	7,725	0			
Serviced Apartment and SOHO	512	512	0			

Notes:

(1) The properties developed by the Enlarged MCT Group are in the districts of Petaling and Selangor in Selangor.

(2) Petaling district comprises, among others, Shah Alam, Petaling Jaya and Subang Jaya.

(3) Selangor district comprises, among others, Cyberjaya, Dengkil and Salak Tinggi.

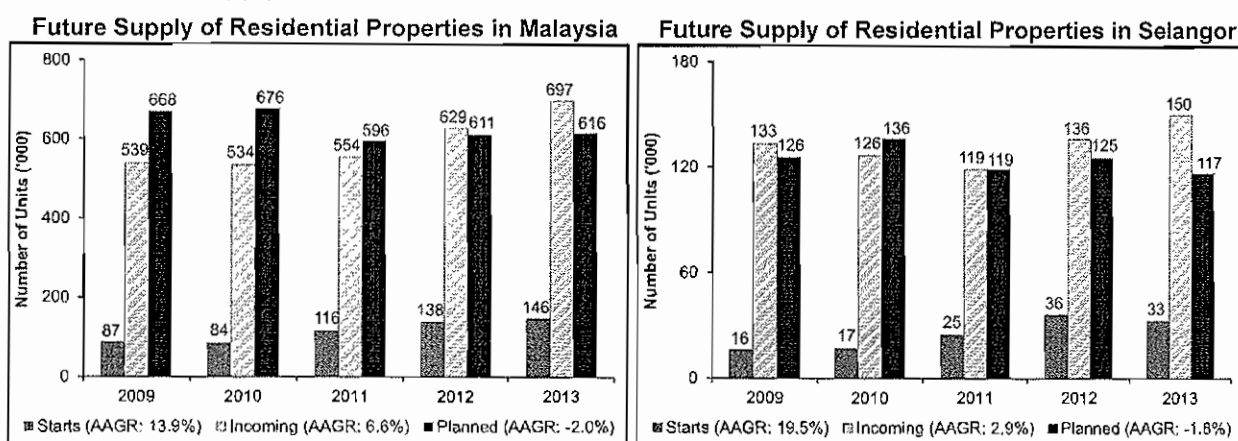
(Source: Valuation and Property Services Department, Ministry of Finance)



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- Between 2009 and 2013, the existing stock of residential units in Petaling and Sepang districts grew at an AAGR of 1.7% and 4.0% respectively. The supply of serviced apartments and SOHO in the district of Petaling, registered double digit AAGR between 2009 and 2013 indicating a continuing supply of such properties in the Petaling district.
- In the third quarter of 2014, the existing stock of residential units in Petaling and Sepang district grew by 1.3% and 0.3% respectively compared to the corresponding period in 2013. In the Petaling district, the existing supply of serviced apartments and SOHO grew by 10.3% in the third quarter of 2014 compared to the corresponding period in 2013.

3.3.2 Future Supply



(Source: Valuation and Property Services Department, Ministry of Finance)

- Between 2009 and 2013, the future supply of residential properties in Malaysia has been increasing in terms of new starts and incoming supply, at an AAGR of 13.9% and 6.6% respectively, with the exception of planned supply which declined at an average annual rate of 2.0%. The decrease in planned supply of residential properties in Malaysia which fell by 11.9% in 2011 was likely to be contributed by tighter control measures on the property market including the implementation of a maximum LTV ratio of 70% on third and subsequent housing loans taken by individuals in November 2010 as well as the reimposition of 5% of RPGT in Budget 2010. However, this is not an indication of a slowdown in the residential property in Malaysia as the planned supply of residential properties has been increasing, albeit a modest growth between 2011 and 2013. This was substantiated by the fact that planned supply grew by 2.5% and a minor 0.8% in 2012 and 2013 respectively.
- Similarly, between 2009 and 2013, the future supply of residential properties in Selangor increased in terms of new starts and incoming supply, at an AAGR of 19.5% and 2.9% respectively, with the exception of planned supply which decreased by 1.8%. The minor decline in the planned supply of residential properties may be attributed to the moderate economic growth in 2013. Based on the Selangor Budget 2014, the local state government is expected to supply 15,251 units of affordable housing before 2021. Of this, 1,028 affordable units will be offered by Perbadanan Kemajuan Negeri Selangor (PKNS) (Source: Valuation and Property Services Department, Ministry of Finance).



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**Future Supply of Residential Properties in Malaysia and Selangor
Based on Third Quarter of 2013 and 2014**

	Q3 2013	Q3 2014	Growth Rate (%)
<u>MALAYSIA</u>			
Starts	114,062	106,722	(6.4)
Incoming Supply	677,895	747,572	10.3
Planned Supply	614,571	633,432	3.1
<u>SELANGOR</u>			
Starts	25,910	22,050	(14.9)
Incoming Supply	144,990	160,907	11.0
Planned Supply	118,002	91,596	(22.4)

(Source: Valuation and Property Services Department, Ministry of Finance)

- In the first three quarters of 2014, the future supply of residential property in Malaysia and Selangor declined in terms of new starts. While planned supply for Malaysia as a whole increased in the third quarter of 2014 compared to the corresponding period in 2013, planned supply in Selangor declined. The decline in new starts and planned supply of residential properties in Selangor may be attributed to a slowdown in the construction sector in Selangor where GDP growth recorded an estimated 9.3% growth in 2014 compared to 15.4% in 2013 (Sources: Department of Statistics, Malaysia; Selangor State Government). Incoming supply for Malaysia and Selangor increased in the third quarter of 2014 compared to the corresponding period in 2013.

Incoming Supply of Selected Types of Residential Units in Petaling and Sepang Districts of Selangor

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
<u>Petaling District</u>						
Total residential units	44,411	43,590	43,704	48,121	51,897	4.0
Selected type of residential units:						
Condominium/Apartment	16,348	14,487	14,738	15,707	18,426	3.0
Serviced Apartment and SOHO	7,084	6,841	7,235	11,058	12,360	14.9
<u>Sepang District</u>						
Total residential units	10,550	10,264	11,190	13,494	14,483	8.2
Selected type of residential units:						
Condominium/Apartment	1,616	1,736	1,916	2,365	2,763	14.3
Serviced Apartment and SOHO	0	0	486	834	1,980	101.8*



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	Q3 2013	Q3 2014	Growth Rate (%)
<u>Petaling District</u>			
Total residential units	51,173	56,065	9.6
Selected type of residential units:			
Condominium/Apartment	17,742	20,632	16.3
Serviced Apartment and SOHO	12,162	14,417	18.5
<u>Selangor District</u>			
Total residential units	12,993	15,235	17.3
Selected type of residential units:			
Condominium/Apartment	2,763	2,763	0
Serviced Apartment and SOHO	1,154	2,051	77.7

*AAGR between 2011 and 2013

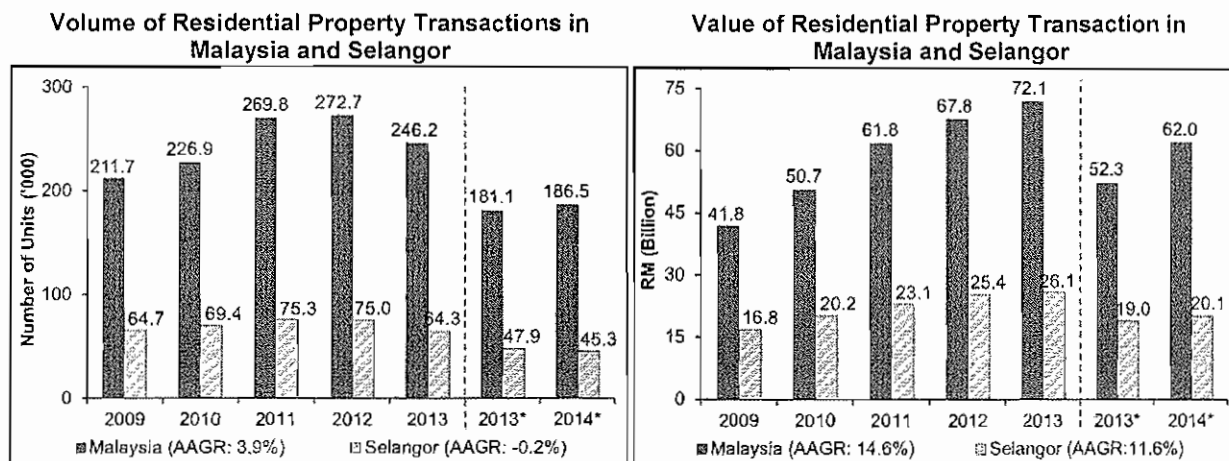
(Source: Valuation and Property Services Department, Ministry of Finance)

- The incoming supply of residential units in Petaling and Selangor districts grew at an AAGR of 4.0% and 8.2% respectively between 2009 and 2013.
- The incoming supply of serviced apartment and SOHO units in Petaling district registered stronger growth with an AAGR of 14.9% between 2009 and 2013. Meanwhile, Selangor district's incoming supply of serviced apartment and SOHO units grew substantially between 2011 and 2013 with an AAGR of 101.8%.
- Similarly, in the third quarter of 2014, the incoming supply of residential units in Petaling and Selangor districts registered growth of 9.6% and 17.3% respectively compared to the corresponding period in 2013. Incoming supply of both condominium/apartment and serviced apartment and SOHO grew in Petaling district in the third quarter of 2014 compared to the corresponding period in 2013. While incoming supply of serviced apartment and SOHO in Selangor district increased more than half in the third quarter of 2014 compared to the corresponding quarter of 2013, incoming supply of condominium/apartment was maintained.
- The substantial growth of incoming supply of serviced apartments and SOHO in the Selangor district may be attributed to the revival of developments in Cyberjaya since 2010. In the Budget 2010, the Government announced the intention to develop Cyberjaya as a pioneer township in Green Technology which then led to a surge of property developments in Cyberjaya with modern architectural designs and concepts.



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3.3.3 Transactions



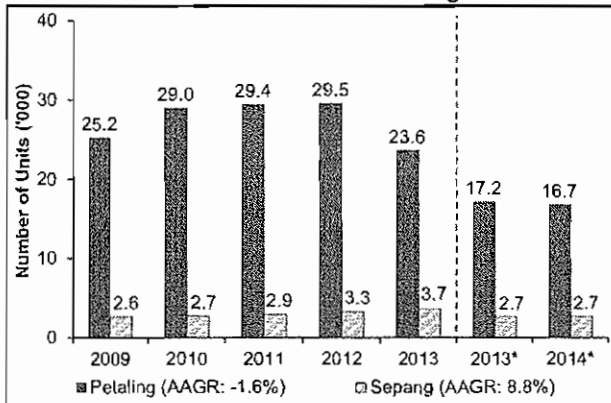
Note: * Data up to 30 Sept; AAGR between 2009 and 2013
(Source: Valuation and Property Services Department, Ministry of Finance)

- Between 2009 and 2013, the residential property transactions in Malaysia experienced growth in terms of volume and value of transactions with an AAGR of 3.9% and 14.6% respectively, indicating an active market which implied a continuing demand for residential properties. As for Selangor, the value of residential property transactions grew at an AAGR of 11.6% although the volume declined at a minor average annual rate of 0.2% between 2009 and 2013.
- In 2013, the residential property market in Malaysia and Selangor softened with the volume of property transactions declining by 9.7% and 14.3% respectively. The decline in the volume of residential property transactions may be attributed to the imposition of a 70% LTV ratio for third and subsequent housing loans as well as the increase in the RPGT rate by 5% as announced in the Budget 2013. Nevertheless, the value of residential property transactions in Malaysia and Selangor in 2013 continued to increase by 6.3% and 2.8% respectively. This was due to the fact that in 2013, transactions of residential properties below RM200,000 declined by 29.3% whilst transactions exceeding RM200,000 increased by 25.2% compared to 2012 (Source: Valuation and Property Services Department, Ministry of Finance). This resulted in the increase in the overall value of residential transactions.
- In the first three quarters of 2014, the volume of residential property transactions in Malaysia grew by 3.0% while the number of residential property transactions in Selangor declined by 5.5% compared to the corresponding period in 2013. This was likely to be attributed to the cooling measures to reduce speculative activities in the property market during the Budget 2014 announcement. However, the value of residential property transactions continued to increase in Malaysia and Selangor.

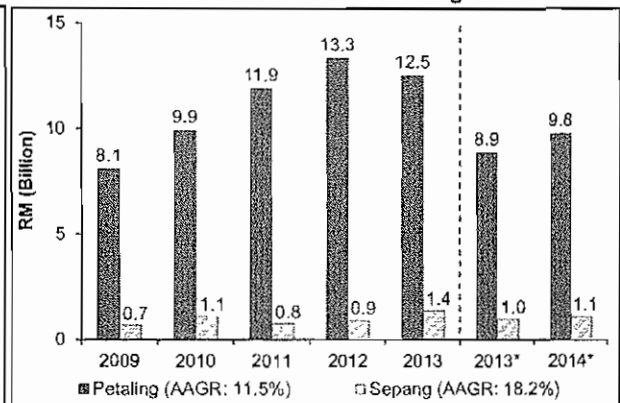


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Volume of Residential Property Transactions within Selected Districts in Selangor



Value of Residential Property Transactions within Selected Districts in Selangor



Note: * Data up to 30 Sept; AAGR between 2009 and 2013
(Source: Valuation and Property Services Department, Ministry of Finance)

- Between 2009 and 2013, the volume and value of residential property transactions in Sepang district has been growing at an AAGR of 8.8% and 18.2% respectively. This indicates a continuing demand for residential properties within this district. Sepang district is in the state of Selangor and is renowned as the place which houses the KL International Airport (KLIA) and the Sepang F1 circuit. In the Budget 2010, the Government of Malaysia announced the development of Cyberjaya into more lively and vibrant township with more efficient public transport system which led to an influx of property development within Sepang district. In 2013, the volume of residential property transactions in Sepang continued to increase at 10.8% while value increased by 49.0%.
- As for the Petaling district, the value of residential property transactions grew at an AAGR of 11.5% while the volume of transactions declined at an average annual rate of 1.6%. In 2013, the volume and value of residential property transactions declined by 20.1% and 6.1% respectively. Similar to the performance of residential property market in Malaysia and Selangor, the decline in volume of residential property transactions may be attributed to imposition of a 70% LTV ratio for third and subsequent housing loans as well as the increase in the RPGT rate by 5% as announced in the Budget 2013. Meanwhile, the decrease in value of residential property transactions in Petaling district in 2013 was due to the fact that transactions volume of residential properties below RM500,000 declined at a double digit rate of 29.0% while transactions exceeding RM500,000 only increased by 3.6% (Source: Valuation and Property Services Department, Ministry of Finance).
- In the first three quarters of 2014, Petaling followed similar trends in Selangor with a decline in the volume of transactions but experienced increases in the value of transactions compared to the corresponding period in 2013. Meanwhile, Sepang district recorded a slight increase in the volume of transactions by 1.3% to 2,699 transactions in the first three quarters of 2014 from 2,665 transactions in the corresponding period in 2013 (Source: Valuation and Property Services Department, Ministry of Finance). Hence, the value of transactions for the first three quarters in Sepang district increased correspondingly.

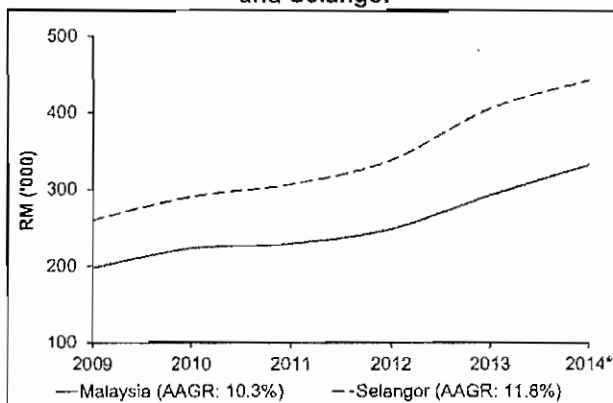


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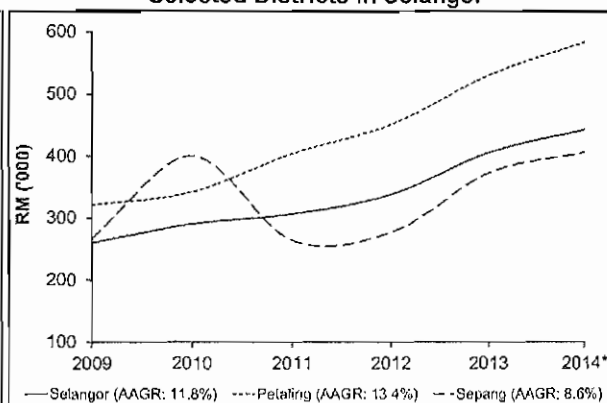
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3.3.4 Residential Property Prices

Average Value of Residential Properties in Malaysia and Selangor



Average Value of Residential Properties within Selected Districts in Selangor



Note: * Data up to 30 Sept; AAGR between 2009 and 2013

(Sources: Valuation and Property Services Department, Ministry of Finance; computed by Vital Factor Consulting)

- Generally, the average residential property prices in Malaysia, Selangor and districts of Petaling and Sepang registered positive growth between 2009 and 2013. The hike in Sepang district's average residential property prices in 2010 was mainly contributed by an anomaly where there was a sale of 28 vacant plots of land being transacted at an average of RM19.1 million each, which resulted in a higher average property price for this district. (Source: Valuation and Property Services Department, Ministry of Finance)

3.4 Commercial Properties

3.4.1 Supply

Supply of Commercial Properties in Malaysia and Selangor

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
MALAYSIA						
Shop Units						
Existing Stock ⁽¹⁾	356,979	367,347	371,666	381,904	391,190	2.3
Building Completions ⁽¹⁾	9,025	8,149	6,425	7,855	9,286	0.7
Shopping Complexes						
Existing Stock ⁽²⁾	10,090	10,661	11,592	12,028	12,391	5.3
Building Completions ⁽²⁾	314	533	601	511	363	3.7
Purpose-Built Offices						
Existing Stock ⁽²⁾	16,126	16,781	17,680	18,824	18,959	4.1
Building Completions ⁽²⁾	568	464	624	472	136	(30.1)
SELANGOR						
Shop Units						
Existing Stock ⁽¹⁾	72,754	76,614	78,506	81,304	83,137	3.4
Building Completions ⁽¹⁾	2,489	2,417	1,334	2,038	1,833	(7.4)



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	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Shopping Complexes						
Existing Stock ⁽²⁾	2,438	2,533	2,849	2,961	2,969	5.0
Building Completions ⁽²⁾	9	55	67	48	8	(3.5)
Purpose-Built Offices						
Existing Stock ⁽²⁾	2,302	2,472	2,587	3,048	3,074	7.5
Building Completions ⁽²⁾	126	25	31	-	26	(33.0)
	Q3 2013	Q3 2014	Growth Rate (%)			
<u>MALAYSIA</u>						
Shop Units						
Existing Stock ⁽¹⁾	389,050	399,090	2.6			
Building Completions ⁽¹⁾	7,146	5,820	(18.6)			
Shopping Complexes						
Existing Stock ⁽²⁾	12,391	12,484	0.8			
Building Completions ⁽²⁾	363	253	(30.3)			
Purpose-Built Offices						
Existing Stock ⁽²⁾	18,901	19,280	2.0			
Building Completions ⁽²⁾	77	301	290.9			
<u>SELANGOR</u>						
Shop Units						
Existing Stock ⁽¹⁾	83,071	84,625	1.9			
Building Completions ⁽¹⁾	1,767	490	(72.3)			
Shopping Complexes						
Existing Stock ⁽²⁾	2,969	2,808	(5.4)			
Building Completions ⁽²⁾	8	-	(100.0)			
Purpose-Built Offices						
Existing Stock ⁽²⁾	3,074	3,116	1.4			
Building Completions ⁽²⁾	26	13	(50.0)			

Notes:

(1) In terms of units;

(2) In terms of thousand square metres.

(Source: Valuation and Property Services Department, Ministry of Finance)

- Generally, the supply of commercial properties including shop units, shopping complexes and purpose-built offices in Malaysia have been growing between 2009 and 2013 with the exception of a decline in building completions of purpose-built offices. This could be attributed to the decline in starts of purpose-built offices by 55.1% from approximately 603,000 sq metres in 2010 to approximately 271,000 sq metres in 2013 (Source: Valuation and Property Services Department, Ministry of Finance).



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- In Selangor, the supply of commercial properties grew in terms of existing stocks between 2009 and 2013, however building completions declined. The decline in the building completion of shop units could be due to slower starts in previous years as well as the moderation in economic growth in 2013. As there was no supply in terms of starts of shopping complexes in Selangor since 2009 and purpose-built offices since 2012, this contributed to the decline in building completions of the respective developments.

(Please refer to Section 3.4.2 Future Supply for more details on number of starts of commercial properties)

- In the third quarter of 2014, existing stock of shop units, shopping complexes and purpose built-offices in Malaysia and Selangor recorded growth compared to the corresponding period in 2013, with the exception of shopping complexes in Selangor. In the first three quarters of 2014, building completions of shop units and shopping complexes in Malaysia fell by 18.6% and 30.3% respectively while purpose-built offices in Malaysia grew by 290.9%. The increase in purpose-built offices in Malaysia during the first three quarters of 2014 was mainly contributed by the increase in building completions in Kuala Lumpur, injecting approximately 172,000 square metre of space into the market *(Source: Valuation and Property Services Department, Ministry of Finance)*.
- In Selangor, building completions of shop units, shopping complexes and purpose-built offices in the first three quarters of 2014 registered a decline of 72.3%, 100.0% and 50.0% respectively compared to the corresponding period in 2013. The drop in shop units was mainly contributed by the decline in building completions in Petaling and Hulu Langat district during the first three quarters of 2014.

Existing Stock of Shopping Complexes of Selected Types in Selected Locations in Selangor

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
<u>Petaling Jaya</u>						
Total shopping complex space.....	146,857	157,019	239,128	294,630	294,630	19.0
Selected type of shopping complex:						
Shopping centre.....	104,717	104,717	144,106	249,998	249,869	24.3
Shopping arcade.....	33,894	33,894	33,894	33,894	26,353	(6.1)
<u>Subang Jaya/Sunway City</u>						
Total shopping complex space.....	534,966	573,424	583,371	576,149	576,149	1.9
Selected type of shopping complex:						
Shopping centre.....	254,105	286,620	306,405	306,405	299,467	4.2
Shopping arcade.....	25,893	25,893	25,893	21,998	21,714	(4.3)



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	Q3 2013	Q3 2014	Growth Rate (%)
<u>Petaling Jaya</u>			
Total shopping complex space.....	294,630	294,630	0
Selected type of shopping complex:			
Shopping centre.....	249,869	249,869	0
Shopping arcade.....	26,353	26,353	0
<u>Subang Jaya/Sunway City</u>			
Total shopping complex space.....	576,149	399,913	(30.6)
Selected type of shopping complex:			
Shopping centre.....	299,467	299,467	0
Shopping arcade.....	21,714	14,658	(32.5)

Note: All units in square metres except percentages;
(Source: Valuation and Property Services Department, Ministry of Finance)

- Between 2009 and 2013, the existing stock of shopping centres grew in Petaling Jaya and Subang Jaya/Sunway City with an AAGR of 24.3% and 4.2% respectively. In contrast, the existing stock of shopping arcades in Petaling Jaya and Subang Jaya/Sunway City recorded a decline in the average annual rate of 6.1% and 4.3% between 2009 and 2013. As shopping arcades generally do not have anchor tenants nor air-conditioning, these types of shopping complex space tend to be less popular when compared to shopping centres.
- In the third quarter of 2014, the existing stock of total shopping complex space in Petaling Jaya remained constant while Subang Jaya/Sunway City decreased by 30.6% compared to the corresponding period in 2013.

Existing Stock of Purpose-Built Office in Selected Locations in Selangor

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
<u>Subang Jaya</u>						
No of buildings ⁽¹⁾	10	11	11	11	12	4.7
Total purpose-built office space ⁽²⁾	124,202	143,138	158,722	158,722	175,914	9.1
<u>Sepang</u>						
No of buildings ⁽¹⁾	15	15	19	25	33	21.8
Total purpose-built office space ⁽²⁾	163,616	163,617	222,867	252,890	403,576	25.3



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	Q3 2013	Q3 2014	Growth Rate (%)
Subang Jaya			
No of buildings ⁽¹⁾	12	12	0
Total purpose-built office space ⁽²⁾	175,914	175,914	0
Selangor			
No of buildings ⁽¹⁾	29	33	13.8
Total purpose-built office space ⁽²⁾	328,233	403,576	23.0

Notes:

(1) In terms of units;

(2) In terms of square metres.

(Source: Valuation and Property Services Department, Ministry of Finance)

- The supply of purpose-built offices in terms of existing stock in Subang Jaya and Selangor grew between 2009 and 2013. The number of purpose-built buildings and office space in Subang Jaya grew at an AAGR of 4.7% and 9.1% respectively between 2009 and 2013. In comparison, the number of purpose-built buildings and office space in Selangor grew substantially with an AAGR of 21.8% and 25.3% respectively, between 2009 and 2013.
- In 2013, the total purpose-built office space in Subang Jaya and Selangor increased at 10.8% and 59.6% respectively, which indicates a continuing supply of commercial properties in Subang Jaya and Selangor.
- In 2013, there were 12 purpose-built buildings recorded in Subang Jaya which were mainly located at SS16, SS15 and Bandar Subang Jaya. Meanwhile, there were 33 purpose-built buildings recorded in Selangor in 2013 of which the majority were located in Cyberjaya (Source: Valuation and Property Services Department, Ministry of Finance).
- In the third quarter of 2014, the total purpose-built office space in Subang Jaya remained constant at 175,914 sq metres whereas in Selangor, the total purpose-built-office space recorded growth by 23.0% compared to the corresponding period in 2013.



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3.4.2 Future Supply

Future Supply of Commercial Properties in Malaysia and Selangor

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
MALAYSIA						
Shop Units						
Starts ⁽¹⁾	5,599	8,200	12,143	15,210	17,521	33.0
Incoming Supply ⁽¹⁾	47,892	47,648	51,138	60,794	69,029	9.6
Planned Supply ⁽¹⁾	58,260	60,506	53,568	59,625	58,952	0.3
Shopping Complexes						
Starts ⁽²⁾	430	440	316	193	204	(17.0)
Incoming Supply ⁽²⁾	1,808	1,966	1,445	1,412	1,253	(8.8)
Planned Supply ⁽²⁾	1,943	1,834	486	418	457	(30.3)
Purpose-Built Offices						
Starts ⁽²⁾	143	603	428	186	271	17.3
Incoming Supply ⁽²⁾	2,278	2,639	2,208	2,027	2,162	(1.3)
Planned Supply ⁽²⁾	2,178	1,645	862	683	499	(30.8)
SELANGOR						
Shop Units						
Starts ⁽¹⁾	808	859	1,931	2,991	3,271	41.8
Incoming Supply ⁽¹⁾	13,842	11,759	12,725	13,965	15,403	2.7
Planned Supply ⁽¹⁾	6,345	7,768	7,212	10,439	8,928	8.9
Shopping Complexes						
Starts ⁽²⁾	-	-	-	-	-	-
Incoming Supply ⁽²⁾	265	214	65	95	87	(24.2)
Planned Supply ⁽²⁾	95	95	32	7	7	(48.5)
Purpose-Built Offices						
Starts ⁽²⁾	-	-	168	-	-	-
Incoming Supply ⁽²⁾	295	400	503	419	393	7.5
Planned Supply ⁽²⁾	185	159	33	-	-	(57.7)*



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	Q3 2013	Q3 2014	Growth Rate (%)
<u>MALAYSIA</u>			
Shop Units			
Starts ⁽¹⁾	13,442	10,813	(19.6)
Incoming Supply ⁽¹⁾	67,090	74,114	10.5
Planned Supply ⁽¹⁾	59,942	69,350	15.7
Shopping Complexes			
Starts ⁽²⁾	230	89	(61.3)
Incoming Supply ⁽²⁾	1,222	1,328	8.7
Planned Supply ⁽²⁾	456	962	111.0
Purpose-Built Offices			
Starts ⁽²⁾	283	111	(60.8)
Incoming Supply ⁽²⁾	2,213	1,819	(17.8)
Planned Supply ⁽²⁾	507	354	(30.2)
<u>SELANGOR</u>			
Shop Units			
Starts ⁽¹⁾	2,240	1,033	(53.9)
Incoming Supply ⁽¹⁾	14,438	15,769	9.2
Planned Supply ⁽¹⁾	9,870	13,849	40.3
Shopping Complexes			
Starts ⁽²⁾	-	-	-
Incoming Supply ⁽²⁾	87	93	6.9
Planned Supply ⁽²⁾	7	-	(100.0)
Purpose-Built Offices			
Starts ⁽²⁾	-	-	-
Incoming Supply ⁽²⁾	393	393	0
Planned Supply ⁽²⁾	-	15	100.0

* AAGR between 2009 and 2011

Notes:

(1) In terms of units;

(2) In terms of thousand square metres.

(Source: Valuation and Property Services Department, Ministry of Finance)

- Generally, there has been a decline in the future supply of commercial properties in Malaysia and Selangor particularly shopping complexes and purpose built-offices in terms of incoming and planned supply between 2009 and 2013. This seems to indicate a slowdown in these types of commercial properties. However in 2013, shopping complexes in Malaysia experienced an increase in the number of starts and planned supply by 5.6% and 9.6% respectively.



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- The future supply of shop units in Malaysia continues to experience growth amidst the overall slowdown in the supply of commercial properties. Similarly, this trend appears to be prevalent in Selangor whereby new starts and incoming supply increased by 9.4% and 10.3% respectively in 2013 compared to the preceding year. This indicates a continuing supply of shop units in the future in Selangor.

Incoming Supply of Shopping Complexes by Selected Locations in Selangor

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
<u>Petaling Jaya</u>						
No of buildings ⁽¹⁾	3	3	1	1	1	(24.0)
Total spaces ⁽²⁾	78,100	78,100	40,513	31,661	31,661	(20.2)
<u>Subang Jaya/Sunway City</u>						
No of buildings ⁽¹⁾	4	3	1	2	2	(15.9)
Total spaces ⁽²⁾	88,408	55,893	16,604	31,370	31,370	(22.8)
	Q3 2013	Q3 2014	Growth Rate (%)			
<u>Petaling Jaya</u>						
No of buildings ⁽¹⁾	1	1	0			
Total spaces ⁽²⁾	31,661	31,661	0			
<u>Subang Jaya/Sunway City</u>						
No of buildings ⁽¹⁾	2	2	0			
Total spaces ⁽²⁾	31,370	31,370	0			

Notes:

(1) In terms of units;

(2) In terms of square metres.

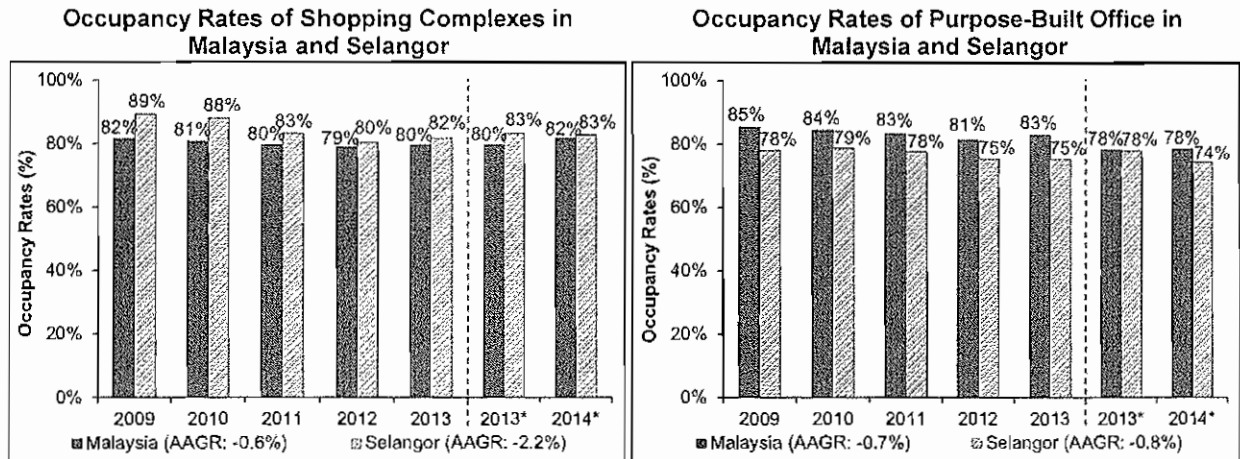
(Source: Valuation and Property Services Department, Ministry of Finance)

- Incoming supply of shopping complexes in both Petaling Jaya and Subang Jaya/Sunway City in terms of number of buildings and spaces has been on a declining trend between 2009 and 2013.
- In the third quarter of 2014, there was only one incoming supply of shopping complex building with a total space of 31,661 square metres in Petaling Jaya while Subang Jaya/Sunway City recorded incoming supply of two buildings with 31,370 square metres of space. The incoming supply remained constant in comparison to the corresponding period in 2013.



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3.4.3 Occupancy Rates



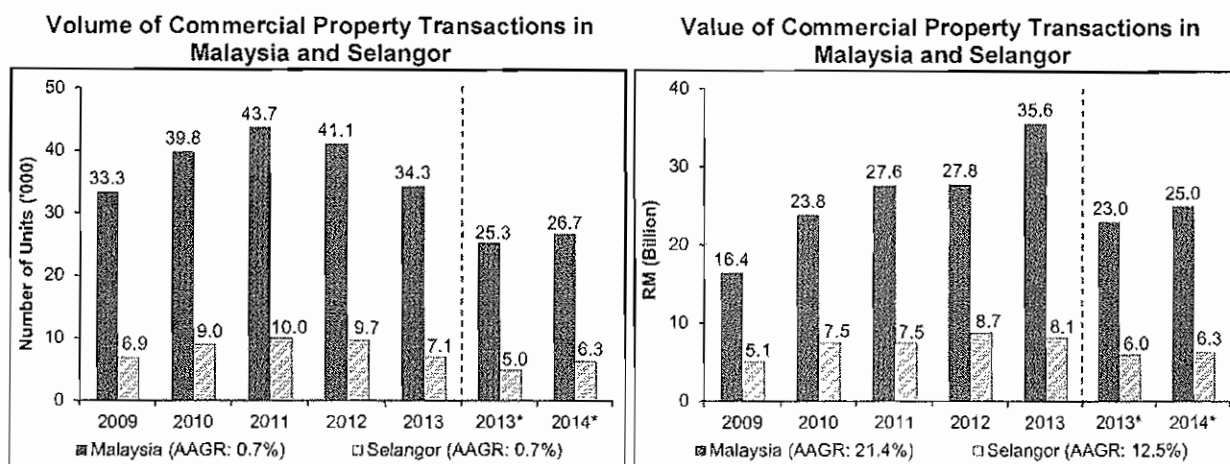
Note: * Data up to 30 June; AAGR between 2009 and 2013; Occupancy rates of shopping complexes and purpose-built office in Malaysia and Selangor are based on latest information available;
(Source: Valuation and Property Services Department, Ministry of Finance)

- The retail sector in Malaysia saw a slight improvement as the occupancy rates of shopping complexes increased marginally from 79% in 2012 to 80% in 2013. The increase in occupancy was due to the higher take-up of shopping complex spaces against the increase in building completions in 2013. Similarly, the national occupancy rate of purpose built-office increased marginally to 83% in 2013.
- From 2009 to 2013, the occupancy rates of shopping complexes in Selangor were encouraging with its average recorded at approximately 84%, above the national average of 80%. On the other hand, the average occupancy rates of purpose-built offices from 2009 to 2013 in Selangor were lower at approximately 77% compared to Malaysia's average of approximately 83%. Although it is lower compared to Malaysia's national average, the average occupancy rates of purpose-built offices in Selangor remained constant at 75% in 2012 and 2013. The higher national average occupancy rate of purpose-built offices was driven by the high occupancy rates exceeding 90% in Perlis, Terengganu, Kelantan, Perak, Putrajaya, Sarawak, Negeri Sembilan and Sarawak.
- In the first half of 2014, the occupancy rate in shopping complexes in Malaysia improved, albeit slightly from 80% to 82% compared to the corresponding period in 2013. The national occupancy rate of purpose built-office in the first half of 2014 remains the same compared to the corresponding period in the preceding year.
- In Selangor, occupancy rates of shopping complexes remained the same at 83% in the first half of 2014 compared to the corresponding period in 2013. On the other hand, the occupancy rates of purpose-built offices in Selangor recorded a minor decrease from 78% to 74% in the first half of 2014 compared to the first half of 2013.



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3.4.4 Transactions



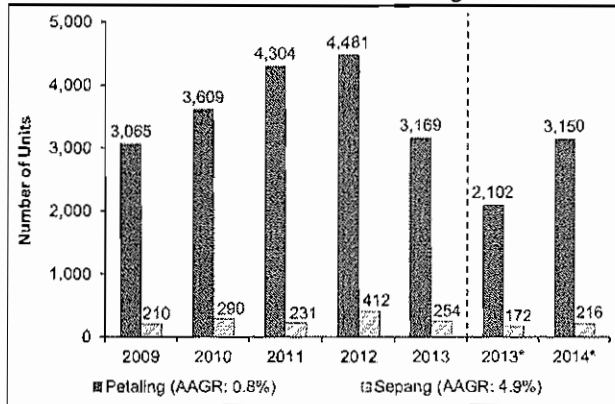
Note: Data up to 30 Sept; AAGR between 2009 and 2013
(Source: Valuation and Property Services Department, Ministry of Finance)

- The volume and value of commercial property transactions in Malaysia increased at an AAGR of 0.7% and 21.4% respectively between 2009 and 2013. Similarly, Selangor's commercial property transactions during the same period grew at an AAGR of 0.7% and 12.5% respectively in terms of volume and value.
- In 2013, the commercial property market in Malaysia and Selangor softened with the volume of commercial property transactions decreasing by 16.5% and 26.9% respectively compared to the previous year. The decline in the volume of commercial property transactions was mainly due to the moderation of real GDP growth in 2013. Nevertheless, the value of commercial property transactions in Malaysia in 2013 continued to increase by 28.0%. This is due to the fact that in 2013, transactions of commercial properties below RM400,000 declined by 57.9% whilst transactions exceeding RM400,000 increased by 42.2% (Source: Valuation and Property Services Department, Ministry of Finance). This resulted in the overall increase in the value of commercial property transactions in 2013.
- In the first three quarters of 2014, both volume and value of commercial property transactions in Malaysia recorded a growth by 5.8% and 8.7% respectively, in comparison with the corresponding period in 2013. Selangor also recorded a similar trend with volume and value of commercial property transacted increasing by 27.5% and 5.3% in the first three quarters of 2014 compared to the corresponding period in 2013.

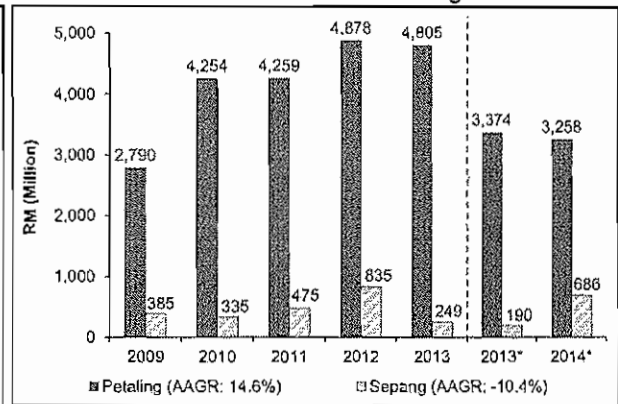


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Volume of Commercial Property Transactions within Selected Districts in Selangor



Value of Commercial Property Transactions within Selected Districts in Selangor



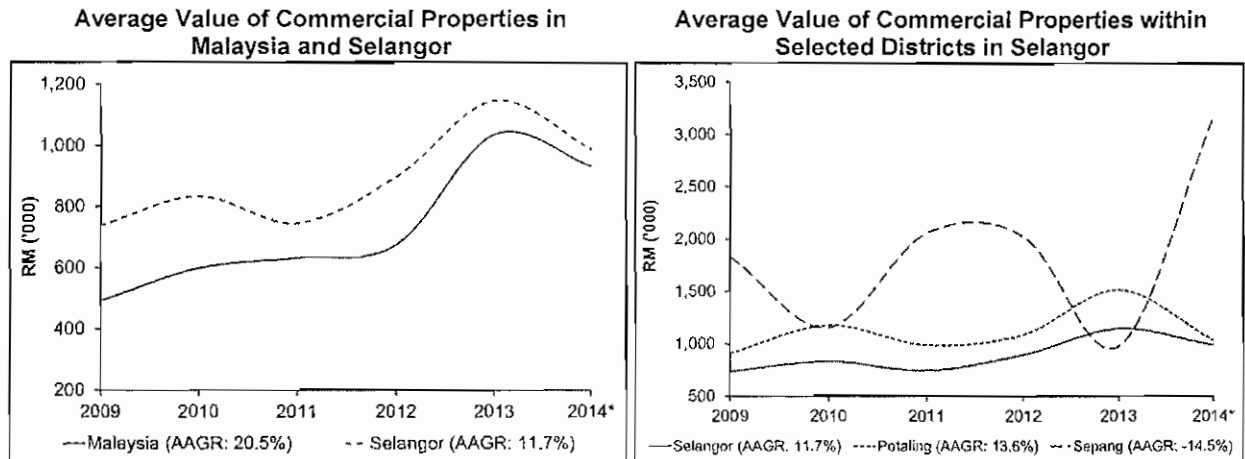
Note: Data up to 30 Sept; AAGR between 2009 and 2013
(Source: Valuation and Property Services Department, Ministry of Finance)

- Between 2009 and 2013, the commercial property transactions in Petaling district has been growing at an AAGR of 0.8% and 14.6% based on volume and value transacted respectively. However in 2013, the volume and value of commercial property transactions declined by 29.3% and 1.5% respectively, compared to the previous year. The decline in the volume of commercial property transactions may be due to the moderation of real GDP growth in 2013.
- The minimal decline in value of commercial property transactions in the Petaling district compared to the steeper decline in volume of transactions appeared to indicate that property prices continued to remain strong in this district.
- In contrast to the Petaling district, the volume of commercial property transactions in Sepang district increased at an AAGR of 4.9% while value declined at an average annual rate of 10.4% between 2009 and 2013. In 2013, the volume of commercial property transacted in Sepang decreased by 38.3% which was mainly attributed to the lower transactions of vacant commercial plots, from 140 plots in 2012 to 38 plots in 2013. This resulted in a lower value of commercial properties being transacted in 2013. In addition, there were two purpose-built offices that were transacted in 2012, namely Bangunan Lestari Emkay and Basis Bay in Cyberjaya, which totalled RM260.8 million while there were no major transactions of purpose-built offices in 2013.
- In the first three quarters of 2014, the volume of commercial property transactions in Petaling district increased by 49.9% while its value of transactions decreased by 3.5% compared to the corresponding period in 2013. The higher value of commercial property transactions in Petaling district in the first three quarters of 2013 was mainly due to a major transaction of commercial property amounting to RM324 million while there were no major transactions that occurred in the first three quarters of 2014 (Source: Valuation and Property Services Department, Ministry of Finance). Meanwhile, the volume and value of commercial property transactions in Sepang district increased by 25.6% and 261.4% respectively in the first three quarters of 2014 compared to the corresponding period in 2013.



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3.4.5 Commercial Property Prices



Note: * Data up to 30 Sept; AAGR between 2009 and 2013

(Sources: Valuation and Property Services Department, Ministry of Finance; computed by Vital Factor Consulting)

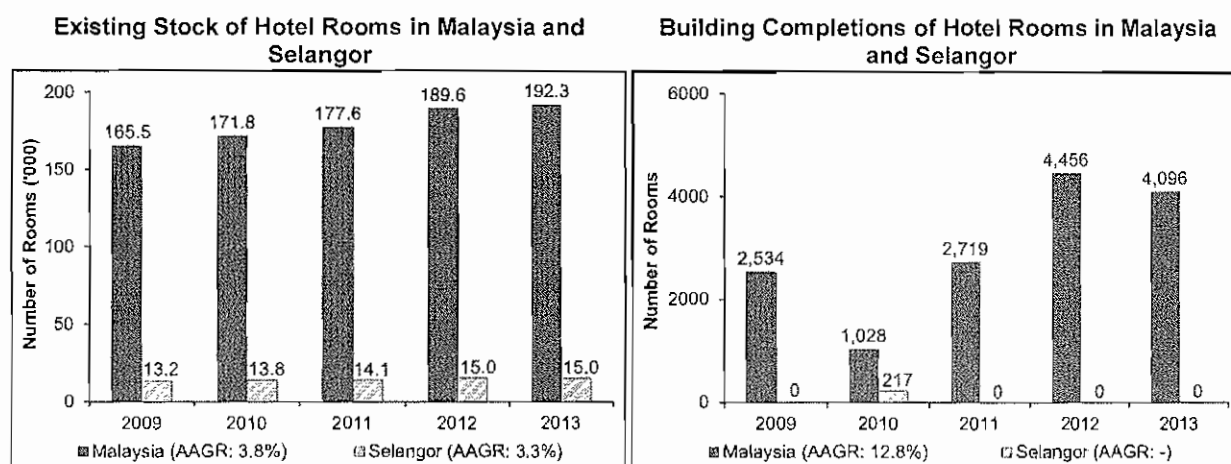
- Between 2009 and 2013, the average value of commercial properties in Malaysia and Selangor grew at an AAGR of 20.5% and 11.7% respectively. The average value of commercial properties in Selangor is higher compared to the average value in Malaysia. Within Selangor, the average value of commercial properties in Petaling district is higher than Selangor state as a whole.
- In contrast, the average value of commercial properties in Sepang district fell below the state average in 2013 as there were no major commercial properties transacted in 2013. Between 2009 and 2012, there were several purpose-built office buildings that were transacted, which may have contributed to the higher average value of commercial properties in Sepang district during this period.
- For the first three quarters of 2014, the average value of commercial properties fell by 9.9% and 13.7% for Malaysia and Selangor respectively compared to the full year of 2013. The trend for Petaling was similar where the average value fell by 31.8% for the first three quarters of 2014 compared to the full year of 2013. However, Sepang experienced a significant increase of 224.4% for the first three quarters of 2014 compared to the full year of 2013. The main reason for the significantly higher average value of transactions for Sepang was due to a major transaction of commercial property amounting to RM225 million in the first three quarters of 2014 whereas there were no major commercial property transactions for the full year of 2013.



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3.5 Leisure Properties

3.5.1 Supply - Hotels



(Source: Valuation and Property Services Department, Ministry of Finance)

Supply of Hotel Rooms in Malaysia and Selangor

	Q3 2013	Q3 2014	Growth Rate (%)
MALAYSIA			
Existing Stock	191,842	199,732	4.1
Building Completions	2,157	3,952	83.2
SELANGOR			
Existing Stock	15,003	16,009	6.7
Building Completions	-	331	n.c.

n.c.= not computable

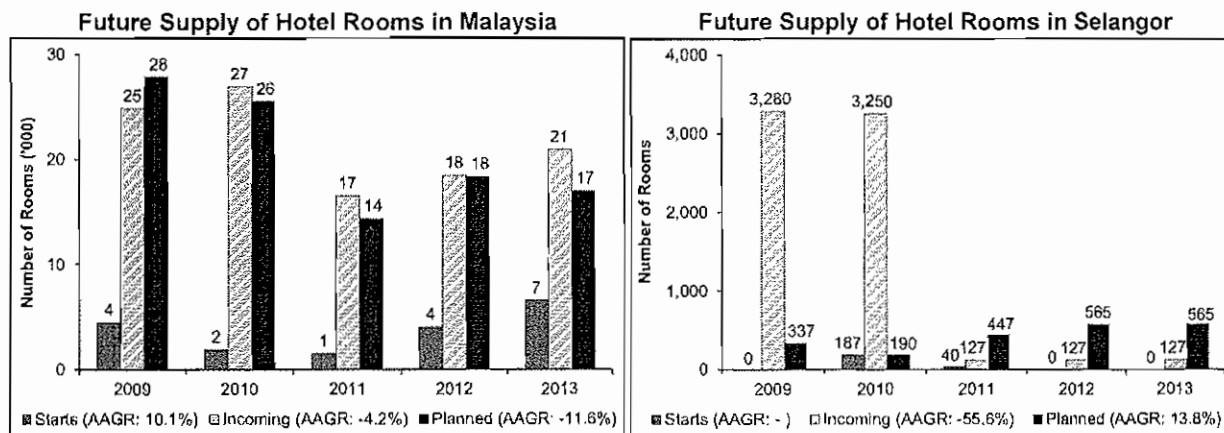
(Source: Valuation and Property Services Department, Ministry of Finance)

- Between 2009 and 2013, the existing stock of hotel rooms in Malaysia and Selangor grew at an AAGR of 3.8% and 3.3% respectively.
- The completions of hotel rooms in Malaysia grew at an AAGR of 12.8% between 2009 and 2013. In Selangor, there were no completions of hotel rooms recorded between 2009 and 2013 except in 2010 with 217 rooms completed.
- In the third quarter of 2014, the existing stock of hotel rooms in Malaysia and Selangor grew by 4.1% and 6.7% compared to the corresponding period in 2013. Completions of hotel rooms in Malaysia grew by 83.2% in the first three quarters of 2014 while there were completions of 331 hotel rooms recorded in Selangor in the first three quarters of 2014.



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3.5.2 Future Supply – Hotels



(Source: Valuation and Property Services Department, Ministry of Finance)

- The future supply of hotel rooms in Malaysia has been increasing in terms of new starts with an AAGR of 10.1% between 2009 and 2013. On the other hand, the incoming supply and planned supply of hotel rooms in Malaysia between 2009 and 2013 declined at an average annual rate of 4.2% and 11.6% respectively. In 2013, the future supply of hotel rooms in Malaysia increased in terms of starts and incoming supply by 63.8% and 13.3% respectively, with the exception of planned supply.
- In Selangor, the future supply of hotel rooms are notably on a declining trend in terms of incoming supply which registered a negative average annual rate of 55.6% between 2009 and 2013. This may be due to the surge of incoming supply of hotel rooms in 2009 and 2010, which contributed to the negative growth rate when compared to 2013. Furthermore, between 2009 and 2013, there were minimal new starts of hotel rooms in Selangor with only 187 rooms and 40 rooms recorded in 2010 and 2011 respectively.

Future Supply of Hotel Rooms in Malaysia and Selangor

	Q3 2013	Q3 2014	Growth Rate (%)
MALAYSIA			
Starts	2,015	2,753	36.6
Incoming Supply	19,555	21,377	9.3
Planned Supply	17,916	13,557	(24.3)
SELANGOR			
Starts	-	-	-
Incoming Supply	127	1,647	1196.9
Planned Supply	565	1,039	83.9

(Source: Valuation and Property Services Department, Ministry of Finance)



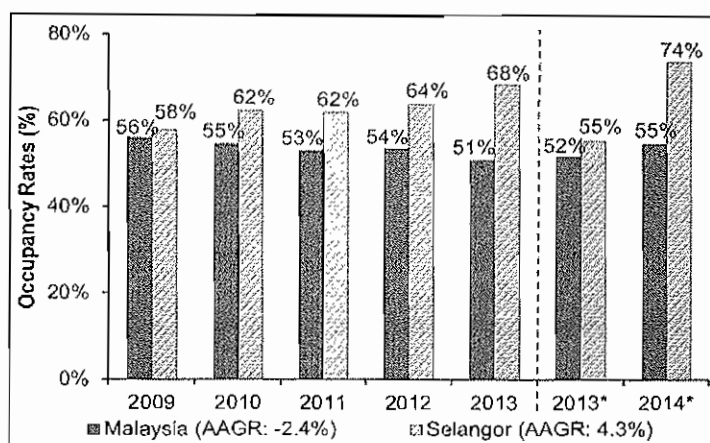
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- The future supply of hotel rooms in Malaysia increased in terms of starts in the first three quarters of 2014 compared to the corresponding period in 2013. Incoming supply of hotel rooms in the third quarter of 2014 recorded growth while planned supply fell compared to the same period in 2013.
- In the third quarter of 2014, the future supply of hotel rooms in Selangor increased in terms of incoming supply and planned supply compared to the same period in 2013. No starts were recorded for the first half of 2014.

3.5.3 Occupancy Rates - Hotels

Average Occupancy Rates of Hotels (1 - 5 Star)



Note: * Data up to 31 March; AAGR between 2009 and 2013; Average occupancy rates of hotels in Malaysia and Selangor are based on latest information available; (Source: Valuation and Property Services Department, Ministry of Finance)

- The occupancy rates of hotels with 1 to 5 Star in Selangor were encouraging with an average occupancy rate of approximately 68% in 2013, above the national average of 51%. For the first quarter of 2014, based on latest information available, the average occupancy rate of hotels with 1 to 5 Star in Selangor was higher at approximately 74% in comparison with the corresponding quarter in 2013 at approximately 55%.

3.6 Property Leasing

- As the Enlarged MCT Group is also involved in property leasing of retail and office units, the following section is focused on the rental rates of shopping complexes and purpose-built offices in selected locations within Petaling and Sepang districts in Selangor.



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Rentals of Retail Space in Shopping Complex in Selected Locations within Selangor

Location and Building	Floor Level	Floor Area (m ²)	Rental Range Per Month (RM/m ²)					AAGR Rental Change (2009-2013)
			2009	2010	2011	2012	2013	
Subang Jaya, Selangor								
Subang Parade	B	1,985	19.38	19.38	19.38	19.38	19.38	Stable
	LG	23 - 77	152.85 - 378.99	142.73 - 336.37	142.73 - 336.37	142.73 - 336.37	142.73 - 336.37	-2.6%
	G	4,548	29.06	29.06	29.06	29.06	31.00	3.3%
Sunway Pyramid	1 st	39,888	146.39 - 297.08	146.39 - 297.08	146.39 - 297.08	146.39 - 297.08	146.39 - 297.08	Stable
	G	25,611	232.50 - 340.14	232.50 - 340.14	232.50 - 340.14	232.50 - 340.14	232.50 - 340.14	Stable
	LG 1	22,632	146.34 - 318.61	146.34 - 318.61	146.34 - 318.61	146.34 - 318.61	146.34 - 318.61	Stable
	LG 2	38,396	124.86 - 275.55	124.86 - 275.55	124.86 - 275.55	124.86 - 275.55	124.86 - 275.55	Stable
	LG 3	5,482	71.04 - 178.68	71.04 - 178.68	71.04 - 178.68	71.04 - 178.68	71.04 - 178.68	Stable
	OB*	10,192	60.27 - 124.86	60.27 - 124.86	60.27 - 124.86	60.27 - 124.86	60.27 - 124.86	Stable
Puchong, Selangor								
IOI Mall	G	51 - 347	n.a.	n.a.	61.35 - 161.46	61.35 - 161.46	61.35 - 161.46	Stable [#]
	1 st	26 - 169	n.a.	n.a.	96.88 - 118.40	96.88 - 118.40	96.88 - 118.40	Stable [#]
	2 nd	70 - 540	n.a.	n.a.	64.58 - 102.26	64.58 - 102.26	64.58 - 102.26	Stable [#]

n.a.= Not available;

Note: *Oasis Boulevard; ^Computed based on the average rental rates of the respective years; [#]AAGR Rental Change (2011-2013); There are no published statistics on the occupancy rates of Subang Parade, Sunway Pyramid and IOI Mall.

(Source: Valuation and Property Services Department, Ministry of Finance)

- According to the Valuation and Property Services Department, Ministry of Finance, generally the rental rates of retail space in shopping complexes in Subang Jaya and Puchong were relatively stable between 2009 and 2013 with the exception of Subang Parade.
- In 2013, selected shopping complexes in Subang Jaya such as Sunway Pyramid and Subang Parade commanded rentals between RM60.27 per square metre (psm) to RM340.14 psm for the former and between RM19.38 psm to RM336.37 psm per month for the latter.



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Rentals of Purpose-Built Office in Selected Locations within Selangor

Location and Building	Floor Level	Floor Area (m ²)	Rental Range Per Month (RM/m ²)					AAGR Rental Change (2009-2013)
			2009	2010	2011	2012	2013	
Subang Jaya, Selangor								
Wisma Consplant 1	4 - 13	98 - 231	39.83 - 40.90	39.83 - 40.90	39.83 - 40.90	39.83 - 40.90	39.83 - 40.90	Stable
Wisma Consplant 2	2 - 11	127 - 744	33.91 - 39.07	33.91 - 39.07	33.91 - 39.07	33.91 - 39.07	33.91 - 39.07	Stable
Menara HeiTech Village	5 - 10	175 - 503	32.28 - 35.50	32.28 - 35.50	32.28 - 35.50	26.90 - 34.98	26.90 - 34.98	-2.3%
Wisma UEP	G	698	66.20	66.20	66.20	66.73	66.73	0.2%
Cyberjaya, Selangor								
Block 2300, Century Square	G	81 - 454	n.a.	n.a.	47.36 - 48.44	47.36 - 48.44	47.36 - 48.44	Stable [#]
	1 st	80 - 326	45.21 - 46.28	45.21 - 46.28	45.21 - 46.28	45.21 - 46.28	45.21 - 46.28	Stable
	2 nd	97 - 492	46.28	46.28	43.06	43.06	43.06	-1.8%
Block 2310, Century Square	G	102 - 328	48.44	48.44	48.44	48.44	48.44	Stable
Block 2320, Century Square	G	52 - 254	48.44	48.44	48.44	48.44	48.44	Stable
	1 st	52 - 324	48.44	48.44	37.67 - 48.44	37.67 - 48.44	37.67 - 48.44	-2.9%
Block 2330, Century Square	G	170 - 378	40.90 - 45.21	34.44 - 45.21	34.44 - 40.90	34.44 - 40.90	34.44 - 40.90	-3.3%
	2 nd	29 - 110	55.97 - 59.20	55.97 - 59.20	55.97 - 59.20	48.44 - 60.28	48.44 - 60.28	-1.4%
	3 rd	25 - 49	55.97 - 59.20	55.97 - 59.20	55.97 - 59.20	55.97 - 59.20	55.97 - 59.20	Stable
Block 3440, Enterprise One	G	718 - 768	48.44	48.44	55.97 - 59.20	45.21 - 48.44	45.21 - 48.44	-0.8%
	1 st	97 - 119	48.44	48.44	48.44	48.44	48.44	Stable
	2 nd	105 - 232	46.28 - 48.44	46.28 - 48.44	48.44	48.44	48.44	0.6%
Block 2200, Enterprise Three	G	96 - 1246	48.44	48.44	48.44	48.44	48.44	Stable
	1 st	310 - 989	48.44	48.44	48.44	48.44	48.44	Stable
	3 rd	111 - 980	45.21 - 47.36	43.06 - 47.36	45.21 - 48.44	43.06 - 48.44	43.06 - 48.44	-0.3%

n.a. = Not available;

Note: ^Computed based on the average rental rates of the respective years; #AAGR Rental Change (2011-2013)
(Source: Valuation and Property Services Department, Ministry of Finance)



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- According to the Valuation and Property Services Department, Ministry of Finance, the average rental rates of purpose-built offices in selected locations in Subang Jaya were relatively stable between 2009 and 2013 with the exception of Menara HeiTech Village.
- On the other hand, there were several purpose-built offices in selected locations in Cyberjaya which recorded minor decline in the average rental rates between 2009 and 2013. This was possibly due to the increased supply of purpose-built office space in Sepang district from approximately 164,000 square metres in 2009 to 404,000 square metres in 2013 (Source: Valuation and Property Services Department, Ministry of Finance).

3.7 Demand Dependencies

- The demand for property development is dependent on a number of factors, and some of major factors are as follows:
 - The performance of the Malaysian economy in terms of GDP, GNP as well as GDP per capita. The economic well-being of the nation directly influences consumer and business confidence, disposable income and unemployment rates, which impacts on the demand or the take-up of properties.
 - The continuing population growth in Malaysia would continue to create demand for properties and property development.
 - Malaysia's fiscal and monetary policies including interest rates, money supply, lending policies, balance of payments and impending goods and services tax (GST) will also affect the demand for properties.
 - The Malaysian Government's regulations and policies governing the property industry including, among others, control measures on foreign ownership, restrictions on disposal of properties, real property gains tax, low cost housing quota, tightening of lending policies with the aim of reducing property prices would also have an impact on demand for properties.
 - Desirability of the product including location and infrastructure of the development. Some of the factors of consideration for buyers of properties are also dependent on the product and surrounding factors such as quality of the development, aesthetics of the development and its surroundings, reputation of the developer, pricing of property, location, density of the development and infrastructure including proximity to amenities.
 - Availability of loans given to buyers is an important demand dependency, especially for the residential property segment. The availability of loans is predicated by many factors including liquidity of the market, financial institutions' lending policies, as well as Bank Negara policies, financial measures, lending policies and guidelines.



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- Supply and demand conditions. In general, the property sector is subjected to demand and supply conditions in the market. The analysis on existing stock and future supply are used as proxy for the overall supply and demand conditions of the Property Development Industry. The value and volume of property transactions also used as an indicator to assess demand conditions.

3.8 Supply Dependencies

- The supply of properties is dependent on a number of factors such as input materials that impact on the timing and cost of construction, as well as loans to the construction sector to provide bridging financing to commence and complete construction of the properties.

3.8.1 Input Materials

- Building materials are the inputs for the building and construction sector that supports the Property Development Industry. As such, the supply and cost of building materials would have a direct impact on the Property Development Industry. Some of the main input building materials are as follows:
 - Cement (including hydraulic cement such as Portland Cement, and asbestos cement);
 - Concrete products (including ready-mixed concrete, bricks, blocks, roofing tiles, piles, poles/posts, beams and culverts);
 - Clay and refractory construction materials (including refractory bricks, clay roofing tiles, ceramic wall and floor tiles, clay pipes and ceramic sanitary ware);
 - Basic iron and steel products (including long products such as angles, shapes, sections, bars and rods, and flat products comprising coils, sheets, plates, tubes and pipes);
 - Non-ferrous metal (including aluminium extrusions for window frames, panels, walling and roofing);
 - Metal products (including fabricated structure and parts of structures of iron, steel or aluminium, metal containers, metal household articles, nails, screw, bolts, etc.);
 - Wood and wood products (including plywood, hardwood, veneer, particle board, block board, mouldings and builders' carpentry and joinery, and reconstituted wood based panel);
 - Non-metallic minerals (including aggregates, sand and gravel, clay & earth materials, limestone, kaolin, silica sand, feldspar, mica and barytes).
- The sufficient and continuous supply of input materials are important to ensure construction is not delayed as this may increase the financing costs for property developers.



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Local Production of Cement and Concrete Materials

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Cement ('000 tonnes).....	19,457	19,762	21,198	21,726	21,457	2.5
Growth rate (%).....	(0.9)	1.6	7.3	2.5	(1.2)	
Ready-Mix Concrete (‘000 m ³).....	7,465	7,932	10,934	13,082	14,906	18.9
Growth rate (%).....	(24.7)	6.2	37.8	19.6	13.9	
Hydraulic Cement (RM Million)	4,357	4,418	4,847	5,197	5,509	6.0
Growth Rate (%).....	7.8	1.4	9.7	7.2	6.0	
Other Articles of Concrete, Cement and Plaster (RM Million).....	1,570	1,372	1,745	1,989	2,262	9.5
Growth Rate (%).....	6.1	(12.6)	27.2	13.9	13.7	

(Source: Department of Statistics, Malaysia)

- Between 2009 and 2013, local production of cement and concrete materials generally grew with the highest growth recorded from ready-mix cement with an AAGR of 18.9%.

Local Production of Clay and Refractory Construction Materials

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Earthen Bricks (million units).....	203	410	621	706	468	23.2
Growth rate (%).....	(78.7)	102.2	51.4	13.8	(33.7)	
Ceramic Tiles ('000 m ²).....	79,730	85,644	82,086	90,699	88,694	2.7
Growth rate (%).....	(7.1)	7.4	(4.2)	10.5	(2.2)	

(Source: Department of Statistics, Malaysia)

- Between 2009 and 2013, local production of earthen bricks and ceramic tiles increased at an AAGR of 23.2% and 2.7% respectively.

Local Production of Wood and Wood Products

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Plywood ('000 m ³)	3,655	4,095	3,797	3,658	3,652	*
Growth rate (%).....	(19.8)	12.0	(7.3)	(3.7)	(0.2)	
Veneer Sheets ('000 m ³).	754	1,017	912	872	883	4.0
Growth rate (%).....	(20.5)	34.9	(10.3)	(4.5)	1.3	
Laminated Board, Particleboard and Other Panels and Board (RM million).....	1,561	1,669	1,901	1,845	1,782	3.4
Growth rate (%).....	(14.7)	6.9	13.9	(2.9)	(3.5)	

Note: * less than -0.1%

(Source: Department of Statistics, Malaysia)



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- Between 2009 and 2013, local production of veneer sheets grew at an AAGR of 4.0% while the sales value of the manufacture of laminated board, particleboard, and other panels and board grew at an AAGR of 3.4%. During the same period, the local production of plywood declined marginally at an average annual rate of less than 0.1%.

Local Production of Basic Metals and Metal Products

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Basic Iron and Steel Products (RM Million)	16,408	19,638	22,094	21,577	21,983	7.6
Growth rate (%)	(42.3)	19.7	12.5	(2.3)	1.9	
Other Basic Precious and Non-Ferrous Metals (RM Million)	4,243	5,941	6,886	6,189	6,127	9.6
Growth rate (%)	(44.2)	40.0	15.9	(10.1)	(1.0)	
Structural Metal Products (RM Million)	1,663	1,520	1,909	2,035	1,998	4.7
Growth rate (%)	9.3	(8.6)	25.6	6.6	(1.8)	

(Source: Department of Statistics, Malaysia)

- Between 2009 and 2013, the sales value of the manufacture of basic metals and metal products registered growth. However, in 2012, both basic metals and metal products dropped in production in terms of sales value.

Local Production of Non-Metallic Minerals

	2008	2009	2010	2011	2012	AAGR 2008-12 (%)
Aggregates ('000 tonnes) ...	75,883	86,497	101,809	118,510	110,339	9.8
Growth rate (%)	(2.3)	14.0	17.7	16.4	(6.9)	
Sand and gravel ('000 tonnes)	24,471	17,382	30,698	37,339	28,592	4.0
Growth rate (%)	9.4	(29.0)	76.6	21.6	(23.4)	

(Source: Minerals and Geoscience Department Malaysia)

- Between 2008 and 2012, local production of aggregates, and sand and gravel registered an AAGR of 9.8% and 4.0% respectively. However, both non-metallic minerals dropped in production in the local market in 2012.



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Import Value of Basic Metals and Metal Products

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Iron and Steel (RM Million) ..	15,778	18,194	21,532	22,667	23,659	10.7
Growth rate (%).....	(34.7)	15.3	18.3	5.3	4.4	
Non-Ferrous Metals (RM Million)	13,788	19,681	23,337	22,167	30,044	21.5
Growth Rate (%).....	(21.3)	42.7	18.6	(5.0)	35.5	
Manufactures of Metals, n.e.s. (RM Million).....	8,121	9,430	9,673	10,122	10,847	7.5
Growth rate (%).....	(13.7)	16.1	2.6	4.6	7.2	

Note: n.e.s. = not elsewhere specified;
(Source: Department of Statistics, Malaysia)

- Between 2009 and 2013, the import value of basic metals and metal products registered growth.

Import Value of Non-Metallic Minerals

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Stone, Sand and Gravel (RM Million)	167	184	202	230	236	9.1
Growth rate (%).....	(27.7)	10.3	9.9	13.6	2.7	

(Source: Department of Statistics, Malaysia)

- The value of Malaysia's imports of stone, sand and gravel increased at an AAGR of 9.1% between 2009 and 2013. In 2013, Malaysia imported RM236 million worth of stone, sand and gravel, an increase of 2.7% from the preceding year.

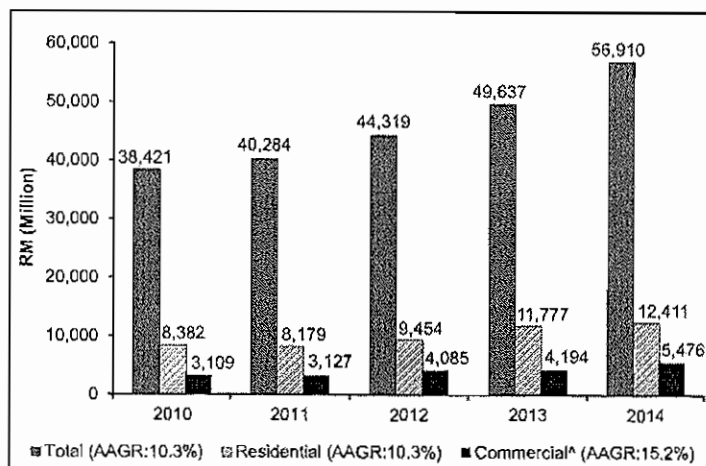
3.8.2 Loans to Construction Sector

- One of the Property Development Industry's most critical supply dependencies is the availability of financial resources to carry out property development activities, including the purchase of land and the financing of building and construction activities. As such, access to loans is one of the main supply dependencies required to sustain business activities in the Property Development Industry.



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Loans to Construction Sector



Note: Loans by Commercial Banks, Islamic Banks and Merchant Banks;
^Refers to Commercial Complexes;
(Source: Bank Negara Malaysia)

- In Malaysia, the total loans to the construction sector grew at an AAGR of 10.3% between 2010 and 2014. In 2014, loans to the construction of residential property and commercial complexes represented 21.8% and 9.6% of the total loans to the construction sector respectively.
- The continuing growth in loans to the construction sector indicates a continuing support by the financial institutions in Malaysia to the construction sector.

4. COMPETITIVE ANALYSIS

4.1 Nature of Competition in the Industry

- The competitive nature of the Property Development Industry can be segmented into two categories:
 - Government Mandated Low Cost or Affordable Housing*
 - Other Properties.

*Note: The term "housing" refers mainly to residential properties. In some states, it also includes commercial and industrial properties.

- Government mandated low cost or affordable housing are not subjected to normal competitive forces but are regarded as Universal Service Obligations required of property developers. This is because pricing of such properties are mandated by the Government and are materially lower than similar properties that are subjected to the full competitive forces of supply, demand and pricing.

Due to the low price of these government mandated properties, invariably demand for such properties exceeds supply.



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- Apart from Government mandated properties, all other types of properties are subjected to **normal competitive conditions**. Normal competitive conditions include the free entry and exit of players in the industry without undue government restrictions with the exception of Government mandated properties and the regulatory framework equally applied to all players, freedom to set prices and determine supply of any type of properties, and equal access to raw materials and labour. In addition, there are many players in all sectors of the industry and no one or small group of operators is able to control pricing or supply of properties.
- Competition within the Property Development Industry in Malaysia takes on various forms. Among others, these include different sectors of property development such as residential, commercial, industrial, agricultural, development land and leisure. Within the residential and commercial sectors, there are various areas of competition in terms of location, size, price range and types of properties, such as condominiums, terraced houses and bungalows for residential properties. As for commercial properties, there are shop offices, multipurpose offices and shopping complexes.

4.2 Operators in the Industry

- Competition in the Property Development Industry is predicated by the number of players in the industry:
 - As at 31 January 2015, the Real Estate and Housing Developers' Association (REHDA) of Malaysia had approximately 1,300 members, most of which were property developers. Some of the other members of REHDA include companies which are closely related to the Property Development Industry such as, among others, contractors and manufacturers of building materials. (Source: *Real Estate and Housing Developers' Association of Malaysia*) However, there are many other property developers that are not registered with the Association. Many of these are smaller operators or opportunistic operators that may develop small-scale properties on an ad-hoc basis.
 - According to the Ministry of Urban Wellbeing, Housing and Local Government, as at 31 January 2015, there were approximately 1,400 active property developers operating in Selangor (Source: *Ministry of Urban Wellbeing, Housing and Local Government*).
 - As at 31 January 2015, there were approximately 68,000 contractors registered with the Construction Industry Development Board of Malaysia of which approximately 5,700 contractors are registered with grade G7. Contractors that are registered under grade G7 has unlimited tender capacity for construction works. (Source: *Construction Industry Development Board of Malaysia*)
- As the Enlarged MCT Group's property developments are located in Selangor particularly in USJ, Subang Jaya and Cyberjaya, the following is a list of some of the property developers who have completed projects since 2008 or have ongoing projects within these localities which may compete with the Enlarged MCT Group include, amongst others:



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Some of the Industry Players in USJ, Subang Jaya and Cyberjaya

Property Developer	Name of Project(s)
USJ, Subang Jaya	
BHL Construction Sdn Bhd	USJ One Park
Cabaran Subang Sdn Bhd ⁽¹⁾	Casabella @ Grandville
Casa Andaman Sdn Bhd	Casa Subang
Global Oriental Berhad	Da:mén
HCK Capital Group Berhad (formerly known as Golsta Synergy Berhad)	The Duo @ USJ1
JAKS Island Circle Sdn Bhd (subsidiary of JAKS Resources Berhad)	USJ Sentral
Mammoth Empire Group	Empire Remix 1 and 2
PJ Developments Holdings Berhad	Impian Meridian and You One
Regina Development Sdn Bhd	The Regina
Sanjung Utama Sdn Bhd ⁽²⁾	Rhythm Avenue and The 19 USJ City Mall
Sime Darby Property Berhad	USJ Heights
Sumbangan Lagenda Sdn Bhd (subsidiary of Bina Puri Holdings Berhad)	Main Place Residence ⁽³⁾
Utusan Seni Sdn Bhd ⁽⁴⁾	ResTrees
Cyberjaya	
Areca Properties Sdn Bhd	Areca Contempo Homes
Country Heights Holdings Berhad	Cyber Heights Villa (Cyber Residency, Lakeview Residency and Mansion Park), and Sawtelle Suites
CrystalVille Group	My Diva Homes and VITA @ Cyberjaya
Demi Murni Holdings Sdn Bhd (Binastra Group)	CyberSquare
Dpulze Ventures Sdn Bhd	D'pulze
Emkay Group	Bangunan Mustapha Kamal, MKN Embassy Techzone ⁽⁵⁾ , NeoCyber (Biz Avenue 1 & 2, The Domain 1 – 5), Star Central and Wisma Mustapha Kamal
Glomac Berhad	Glomac Cyberjaya 1 and 2
Macvilla Sdn Bhd	V'Residence
Mah Sing Group Berhad	Garden Plaza and Garden Residence Resort Homes
Maju Puncakbumi Sdn Bhd	The Arc
Nadayu Properties Bhd	Nadayu 99
OSK Property Holdings Berhad	Mirage by the Lake and Pan'gaea (Eclipse, Paragon and Solstice)
Paramount Property (Cjaya) Sdn Bhd (subsidiary of Paramount Corporation Berhad)	Sejati Residence
Perbadanan Kemajuan Negeri Selangor	Vega Residensi



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Property Developer	Name of Project(s)
Posh Atlantic Sdn Bhd (subsidiary of Kimlun Corporation Berhad)	The Hyve SOHO
Prima Group	Prima Avenue I (Prima 1 – 8), Prima Avenue II (Prima 9 – 12) and Primera Suite
Seri Mutiara Development Sdn Bhd	Mutiara Ville
Setia Eco Glades Sdn Bhd ⁽⁶⁾	Setia Eco Glades
Setia Haruman Sdn Bhd ⁽⁷⁾	Apex Residence, Cyberview Garden Villa, Cyberview Resort and Spa, D'Melor, CBD Perdana 1 and 2, Centrus @ CBD Perdana 3, Gardenview Residence, Perdana Lakeview East and West
Shaftsbury Capital Sdn Bhd (Ikkhasas Group)	Shaftsbury Square
Streling Prima Sdn Bhd ⁽⁸⁾	MasReca n19eteen (MasReca-19)
Suntrack Development Sdn Bhd	Kanvas SOHO and Summerglades
Symphony Hills Sdn Bhd (subsidiary of UEM Sunrise Berhad)	Symphony Hills
Tim Development & Construction Sdn Bhd	Trillium Resort Residence @ Perdana Lakeview East
Triental Land Sdn Bhd (Villamas Group)	Serin Residency and Cristal Residence
Tujuan Gemilang Sdn Bhd	Tamarind Square and Tamarind Suite

Notes:

- (1) Joint-venture between Miramas Group and UKHWAH Group.
- (2) This project was originally abandoned and was revived by the project receiver and the bridging financier.
- (3) This project was originally abandoned in 2001 and was finally revived by Sumbangan Lagenda Sdn Bhd (subsidiary of Bina Puri Holdings Berhad) after two other companies failed to complete the development.
- (4) Joint development between land owner, Majlis Agama Islam Selangor and Utusan Seni Sdn Bhd.
- (5) This was a joint-venture project with Embassy Group of India.
- (6) Joint-venture between SP Setia Berhad and Setia Haruman Sdn Bhd.
- (7) Joint-venture between Emkay Group and UEM Sunrise Berhad.
- (8) Joint-venture between Emkay Group and Areca Properties Sdn Bhd.

5. MARKET SIZE AND SHARE

5.1 Residential Property Market

5.1.1 Market Size and Share

Market Size of Residential Properties in Malaysia and Selangor, and Market Share of the Enlarged MCT Group in 2013

	Market Size in 2013 ⁽¹⁾		Market Share of the Enlarged MCT Group in 2013 ⁽²⁾	
	Transacted Volume (Units)	Transacted Value (RM Mil)	Transacted Volume (%)	Transacted Value (%)
Malaysia	246,225	72,060	Less than 1%	Less than 1%
Selangor	64,269	26,086	Less than 1%	1%



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Sources: (1)Valuation and Property Services Department, Ministry of Finance;
 (2)Vital Factor Consulting analysis

Note: Market share of the Enlarged MCT Group is computed based on the number (volume) and the amount (value) of its sales and purchase agreements entered into (signed and stamped) in 2013, divided by their respective market size.

Market Size of Residential Properties in Malaysia and Selangor, and Market Share of the Enlarged MCT Group in H1 2014

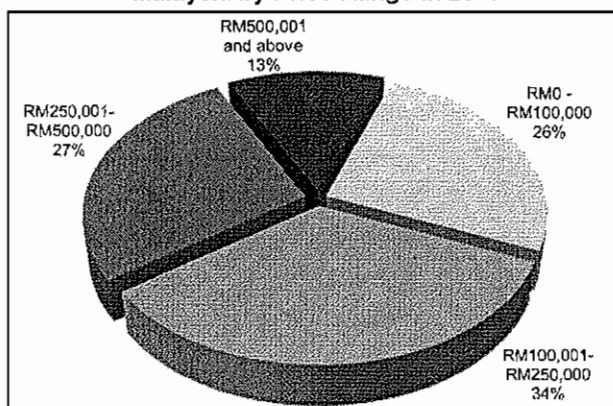
	Market Size in H1 2014 ⁽¹⁾		Market Share of the Enlarged MCT Group in H1 2014 ⁽²⁾	
	Transacted Volume (Units)	Transacted Value (RM Mil)	Transacted Volume (%)	Transacted Value (%)
Malaysia	122,830	40,302	Less than 1%	Less than 1%
Selangor	29,461	12,842	Less than 1%	2%

Sources: (1)Valuation and Property Services Department, Ministry of Finance;
 (2)Vital Factor Consulting analysis

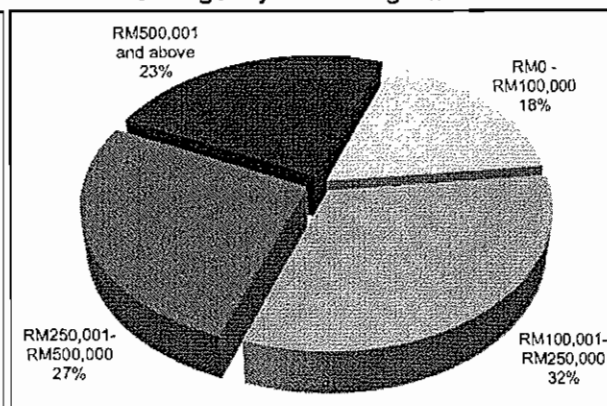
Note: Market share of the Enlarged MCT Group is computed based on the number (volume) and the amount (value) of its sales and purchase agreements entered into (signed and stamped) in first half of 2014, divided by their respective market size.

5.1.2 Market Segmentation

Transacted Volume of Residential Properties in Malaysia by Price Range in 2013



Transacted Volume of Residential Properties in Selangor by Price Range in 2013



Note: Based on total volume of residential properties transactions in Malaysia and Selangor of 246,225 and 64,269 respectively.

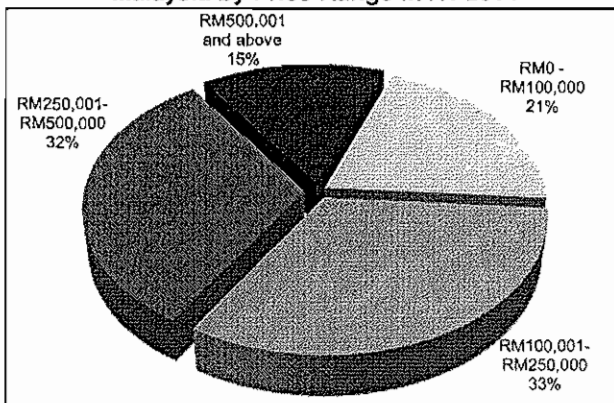
(Source: Valuation and Property Services Department, Ministry of Finance)

- In 2013, the majority, at approximately 69%, of the Enlarged MCT Group's volume of residential property transactions were price above RM500,000. The remaining 31% of the Enlarged MCT Group's volume of residential property transactions in 2013 were priced between RM250,001 and RM500,000.

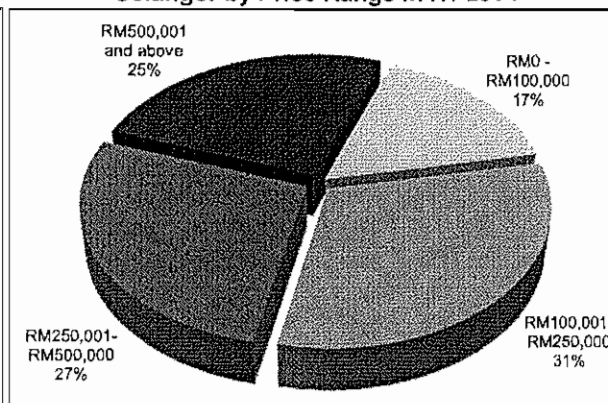


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Transacted Volume of Residential Properties in Malaysia by Price Range in H1 2014



Transacted Volume of Residential Properties in Selangor by Price Range in H1 2014



Note: Based on total volume of residential properties transactions in Malaysia and Selangor of 122,830 and 29,461 respectively in the first half of 2014.

(Source: Valuation and Property Services Department, Ministry of Finance)

- In the first half of 2014, the majority, at approximately 99.6% of the Enlarged MCT Group's volume of residential property transactions were priced above RM500,000. The remaining 0.4% of the Enlarged MCT Group's volume of residential property transactions in the first half of 2014 were priced between RM250,001 and RM500,000.

5.2 Commercial Property Market

5.2.1 Market Size and Share

Market Size of Commercial Properties in Malaysia and Selangor, and Market Share of the Enlarged MCT Group in 2013

	Market Size in 2013 ⁽¹⁾		Market Share of the Enlarged MCT Group in 2013 ⁽²⁾	
	Transacted Volume (Units)	Transacted Value (RM Mil)	Transacted Volume (%)	Transacted Value (%)
MALAYSIA	34,298	35,562	2%	Less than 1%
Selangor	7,083	8,126	9%	4%

Sources: (1)Valuation and Property Services Department, Ministry of Finance;

(2)Vital Factor Consulting analysis

Note: Market share of the Enlarged MCT Group is computed based on the number (volume) and the amount (value) of its sales and purchase agreements entered into (signed and stamped) in 2013, divided by their respective market size.



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Market Size of Commercial Properties in Malaysia and Selangor, and Market Share of the Enlarged MCT Group in H1 2014

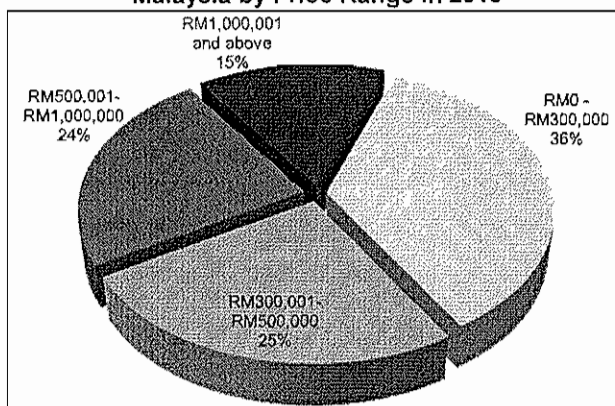
	Market Size in H1 2014 ⁽¹⁾		Market Share of the Enlarged MCT Group in H1 2014 ⁽²⁾	
	Transacted Volume (Units)	Transacted Value (RM Mil)	Transacted Volume (%)	Transacted Value (%)
MALAYSIA	17,508	16,223	Less than 1%	Less than 1%
Selangor	4,133	4,169	Less than 1%	Less than 1%

Sources: (1) Valuation and Property Services Department, Ministry of Finance;
(2) Vital Factor Consulting analysis

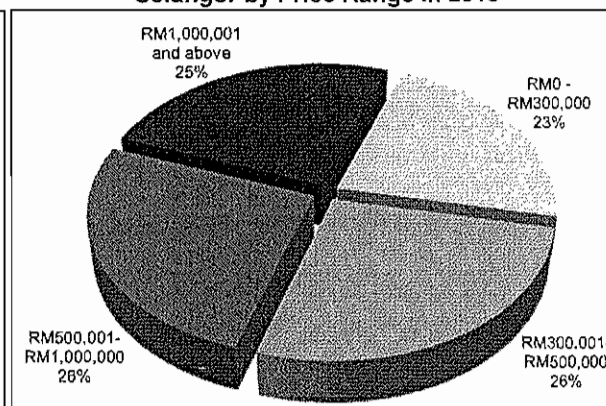
Note: Market share of the Enlarged MCT Group is computed based on the number (volume) and the amount (value) of its sales and purchase agreements entered into (signed and stamped) in first half of 2014, divided by their respective market size.

5.2.2 Market Segmentation

Transacted Volume of Commercial Properties in Malaysia by Price Range in 2013



Transacted Volume of Commercial Properties in Selangor by Price Range in 2013



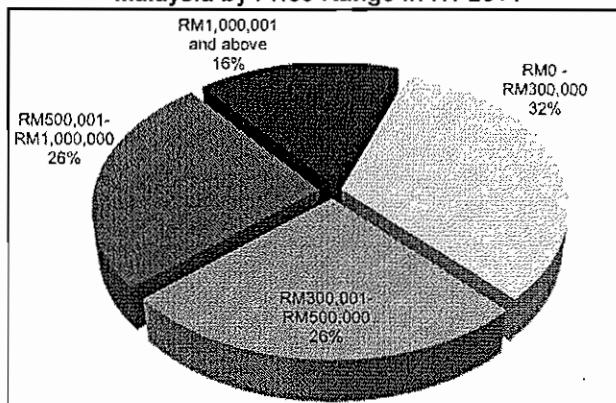
Note: Based on total volume of commercial properties transactions in Malaysia and Selangor of 34,298 and 7,083 respectively.
(Source: Valuation and Property Services Department, Ministry of Finance)

- In 2013, the majority, at approximately 75% of the Enlarged MCT Group's volume of commercial property transactions were priced between RM300,001 and RM500,000. The remaining 21% and 4% of the Enlarged MCT Group's volume of commercial property transactions in 2013 were priced between RM500,001 and RM1.0 million, and above RM1.0 million respectively.

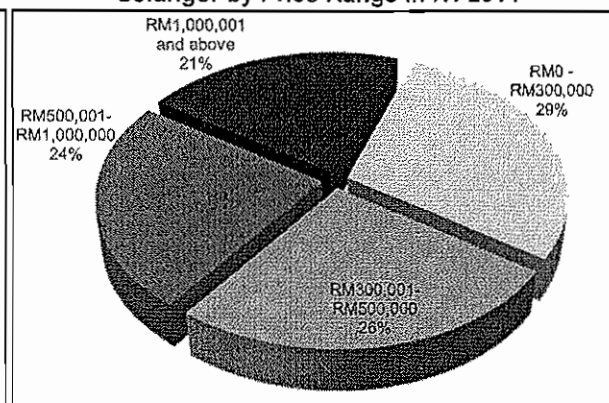


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Transacted Volume of Commercial Properties in Malaysia by Price Range in H1 2014



Transacted Volume of Commercial Properties in Selangor by Price Range in H1 2014



Note: Based on total volume of commercial properties transactions in Malaysia and Selangor of 17,508 and 4,133 respectively in the first half of 2014.

(Source: Valuation and Property Services Department, Ministry of Finance)

- In first half of 2014, the majority, at approximately 58% of the Enlarged MCT Group's volume of commercial property transactions were priced between RM300,001 and RM500,000. The remaining 33% and 8% of the Enlarged MCT Group's volume of commercial property transactions in the first half were priced between RM500,001 and RM1.0 million, and above RM1.0 million respectively.

6. GOVERNMENT REGULATIONS AND LICENCES

6.1 Different Levels of Government

- The Property Development Industry is regulated at 3 levels of authority:
 - Federal Government;
 - State Government;
 - Local Government.
- The Federal Government regulates on matters such as:
 - control and licensing of developers;
 - protection of environment;
 - formulation of national housing policy;
 - control of foreign investment.
- The State Government has sole jurisdiction over land matters covering
 - issuance of titles;
 - conversion;
 - amalgamation and subdivision;
 - imposition of conditions for foreign ownership of property.
- The Local Government administers all aspects of:
 - building plans approval;
 - building inspections; and
 - provides maintenance service of infrastructure such as roads and street lighting, refuse disposals, etc.



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- The principal submitting person (PSP) of a building plan, either a professional architect, engineer or building draftsman of the project, is responsible for compliance to regulations to ensure the issuance of the certificate of completion and compliance (CCC). The CCC is proof that a building has been completed and is safe and fit for occupancy. The Local Government may inspect the building site at any time and has the authority to issue written notice to PSP to rectify any non-compliance or withhold the issuance of CCC until such non-compliance is rectified.

6.2 Overview

- The Property Development Industry in Malaysia is governed by a set of laws and regulations, which include, among others:-
 - Building and Common Property (Maintenance and Management) Act 2007;
 - Construction Industry Development Board of Malaysia Act 1994;
 - Environmental Quality Act 1974;
 - Housing Development (Control and Licensing) Act 1966;
 - Housing Development (Control and Licensing) Regulations 1989;
 - Housing Development (Housing Development Account) Regulations 1991;
 - Land Acquisition Act 1960;
 - Land Conservation Act 1960;
 - Local Government Act 1976;
 - National Land Code 1965;
 - Real Property Gains Tax Act 1976;
 - Stamp Act 1949;
 - Strata Titles Act 1985;
 - Street, Drainage and Building Act 1974;
 - Town and Country Planning Act 1976
 - Uniform Building By-Laws 1984;
- The following section provide the details of some of the relevant laws, regulations and policies implemented by the federal, state and local governments which are applicable to the Enlarged MCT Group.

6.2.1 Housing Development Act

- Any development, sale and purchase of residential properties are governed under the Housing Development (Control and Licensing) Act 1966 ("Housing Development Act"). Under the provision of this act, a developer licence and advertising permit is required in order for the developer to sell their residential properties while under construction.
- An amendment was made to the Housing Development Act in 2007 to govern properties which are developed for the purpose of partly commercial and partly human habitation such as serviced apartment and small-office-home-office ("SOHO"). Unless otherwise exempted by the Government, development of properties with dual purpose of commercial and human habitation would require licensing and advertising permit.



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6.2.2 Affordable Housing Policy

- Since 1982, the Malaysian government has imposed a 30% quota for low cost housing as a social obligation by developers to complement the efforts of the government to provide affordable housing for all. However, the policy varies across states and is governed by the relevant state government and local authorities.

Residential Property Development

- In Selangor, previously, residential developments of 10 acres and above are required to allocate the following quota and selling price:

Quota

Category	Within Municipal Council / City Council	Within District Council	Outside Municipal Council / City Council / District Council
House - Low Cost	20%	20%	20%
House – Medium Low Cost	20%	20%	10%
House – Medium Cost	10%	10%	10%

Selling Price

Category	Within Municipal Council / City Council	Within District Council	Outside Municipal Council / City Council / District Council
House – Low Cost	RM 42,000	RM 35,000	RM 30,000
House – Medium Low Cost	RM 72,000	RM 60,000	RM 50,000
House – Medium Cost	RM100,000	RM 85,000	RM70,000

Note: The allocated quota is based on the overall housing units that are built in an entire residential development project.

- For residential developments within Klang Valley with land area of between 2 to less than 10 acres, 30% must be designated for medium-cost housing units. This also applies to residential developments outside Klang Valley with land area of between 5 to less than 10 acres.

(Source: Selangor Town and Country Planning Department)

- The Selangor State Government has implemented a new affordable housing policy namely *Rumah Selangorku* which supersedes the abovementioned housing policy and is effective from 1 January 2014. The new policy of affordable housing incorporates the rebranding of low cost, low medium cost and medium cost to *Rumah Selangorku* and houses will be priced ranging from RM42,000 to RM250,000 based on type, floor area, location and any additional facilities incorporated into the development.



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- The following table describes the quota required under the *Rumah Selangorku* policy:

Zone for Residential Development	Quota required for <i>Rumah Selangorku</i>				
	2 - 5 acres	5 – 10 acres	10 – 20 acres	20 – 50 acres	50 acres & above
Zone 1	20%*	30%	40%	50%	50%
Zone 2		20%	40%	40%	50%
Zone 3			40%	40%	50%

*Only applicable to location within the jurisdiction of *Majlis Bandaraya Petaling Jaya (MBPJ)* and *Majlis Perbandaran Ampang Jaya (MPAJ)*

Notes:

The allocated quota is based on the overall housing units that are built in an entire residential development project.

- (1) Zone 1 refers to:
 - a. Petaling district – whole of Petaling district;
 - b. Gombak district – Mukim Batu and Hulu Kelang;
 - c. Klang district – Mukim Klang;
 - d. Hulu Langat district – Mukim Cheras, Kajang, Ampang and Semenyih;
 - e. Sepang district – Cyberjaya
- (2) Zone 2 refers to:
 - a. Gombak district – Mukim Setapak and Rawang;
 - b. Hulu Langat district – Mukim Hulu Langat, Beranang and Hulu Semenyih;
 - c. Klang district – Mukim Kapar;
 - d. Sepang district – whole of Sepang district except Cyberjaya;
 - e. Kuala Langat district – whole of Kuala Langat district;
 - f. Kuala Selangor district – Mukim Ijok, Kuala Selangor, Jeram, Batang Berjuntai and Hujung Pematang;
- (3) Zone 3 refers to:-
 - a. Kuala Selangor district – Mukim Pasangan, Tanjung Karang and Hulu Tinggi;
 - b. Hulu Selangor district – whole of Hulu Selangor district;
 - c. Sabak Bernam district – whole of Sabak Bernam district

- Any residential development that was approved prior to the effective date shall continue to adhere to the previous policy. Nevertheless, developers may appeal to the Lembaga Perumahan dan Hartanah Selangor (LPHS) if they prefer to adopt the new policy.

(Source: Lembaga Perumahan dan Hartanah Selangor)

Commercial and Industrial Property Development

- All commercial developments with 50 units and above in Selangor have to allocate 20% of their units as low-cost commercial units with a selling price of RM120,000 each.
- All industrial developments with development of 10 acres and above are required to allocated 30% of their units as low-cost industrial units with a selling price of RM150,000 each.

(Source: Selangor Town and Country Planning Department)



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6.2.3 Environmental Regulations

- Under the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 1987, housing development covering an area of 50 hectares or more is required by the Department of Environment to carry out an Environmental Impact Assessment (EIA) study, which has to be submitted to the Department of Environment for approval. (Source: Department of Environment)

6.2.4 Registration of Contractors - CIDB

- Under the Construction Industry Development Board of Malaysia Act 1994, it is mandatory for all builders, contractors and sub-contractors, whether local or foreign, to register with the Construction Industry Development Board (CIDB), before undertaking or executing any construction work in Malaysia.
- The Certification of Registration issued by the CIDB is valid for a minimum period of 1 year and a maximum term not exceeding 3 years, unless cancelled, suspended or revoked earlier by CIDB.
- There are three categories of registration as follows:
 - Building Construction;
 - Civil Engineering Construction;
 - Mechanical and Electrical.
- The scope of registration is further classified into seven grade and is differentiated by their respective tender capacities;

Grade	Tender Capacity (RM)
G1	Not exceeding 200,000
G2	Not exceeding 500,000
G3	Not exceeding 1 million
G4	Not exceeding 3 million
G5	Not exceeding 5 million
G6	Not exceeding 10 million
G7	No limit

(Source: Construction Industry Development Board)

6.2.5 Construction Industry Payment and Adjudication Act (CIPAA)

- The Construction Industry Payment and Adjudication Act 2012 (CIPAA) was gazetted on 22 June 2012 which became effective since 15 April 2014. As such, the Act only applies to disputes relating to payment following contracts signed after the date the Act was enforced. The primary objective of this legislation is to address cash flow problems in the construction sector in Malaysia. It is intended to facilitate regular and timely payment by the removal of conditional payments as well as provide a mechanism for speedy dispute resolution through adjudication.
- The CIPAA also provides remedies for the recovery of payment upon conclusion of the adjudication process as well as other remedies such as the right to suspend work or reduce the rate of work progress or even to secure payment directly from the principal.



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- The CIPAA applies to every construction contract which are made in writing relating to construction work carried out wholly or partly in Malaysia with the exception of construction of owner occupied residential property of less than four storeys high.
- The Act is applied equally to the Government of Malaysia as well as the private sector covering a wide range of construction related projects such as building construction, oil and gas related projects, petrochemical industry, telecommunication, utilities, infrastructure, supply contracts and consultancy contracts.
- However, the Act is exempted for Government contracts for any construction works that involve emergency, natural disaster, unforeseen circumstances and matters of national security and security related facilities.
- Additionally, Government contracts for any construction works with contract sum of RM20 million and below are given temporary exemption until 31 December 2015 for matters relating to the timeline for submissions stipulated under the provisions of CIPAA.

6.2.6 Acquisition of Property by Foreigners

- The Economic Planning Unit implemented the Foreign Investment Committee Guidelines on 1 January 2010 which restricts the purchasing of properties valued below RM500,000 by foreign interest. Subsequently, the Government of Malaysia revised the threshold amount in the recent Budget 2014 where by the minimum price of properties that can be purchased by foreigners will be increased from RM500,000 to RM1.0 million effective 1 January 2014. (Sources: Economic Planning Unit; Budget 2014)

6.2.7 Hospitality Management

- Companies that are managing and operating hotels which include food and beverage outlets are required to obtain various licences such as tourist accommodation licence, food and eating premise licence and/or liquor licence.
- According to the Tourism Industry Act 1992, hotelier who operates accommodation premise is required to register the premises as tourist accommodation premises with the Ministry of Tourism and Culture Malaysia.
- Hoteliers are required to apply a Hotel Composite Premise and Advertisement Licence (Hotel Composite Licence) from the respective local authorities to carry out business activities. The business activities that are stated in a Hotel Composite Licence vary depending on the hotel's star rating. Generally, the licence is valid between 1 to 3 years depending on the option by the applicant.
- The Excise Act 1976 requires hoteliers to apply for Public House License to enable them to sell and serve liquor in the hotel premise within stipulated timings. Nevertheless, the hotelier is allowed to sell and serve liquor beyond the specified time with the application of Temporary Public House License. (Sources: Tourism Industry Act 1992; Ministry of Housing and Local Government Malaysia; Excise Act 1976)



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7. SUBSTITUTE PRODUCTS AND SERVICES

- There are no practical substitutes for residential, commercial and leisure properties:
 - **Residential:** Although there are no practical substitutes for residential properties, there is a choice of different types of properties such as low-cost houses, or flats, medium-cost terrace houses and higher-end properties like condominiums, semi-detached or bungalow houses.
 - **Commercial:** Although there are no practical substitutes for commercial properties, there is a choice of different types of commercial properties such as purpose-built offices, shop houses or shop offices and higher-end shops or shopping complexes. Additionally, in a very small number of cases, residential homes are converted into small offices, workshops or showrooms.
 - **Leisure:** Although there are no practical substitutes for leisure properties, there is a choice of different types of properties such as luxury and medium-cost hotels and resorts to low-cost motels for accommodation. For recreational activities, there are recreational parks of different themes as well as golf courses.
- Generally, there are no practical ways to substitute building and construction services. Nevertheless, there is a choice of different categories of building and construction operators based on their scope of registration with the CIDB.

8. INDUSTRY RELIANCE ON AND VULNERABILITY TO IMPORTS

- As building materials are main inputs for the construction of buildings, structures and infrastructures, the supply of these materials will affect property developers. Generally, major building materials used in property development such as piles, tiles, iron and steel materials, cement and concrete materials are widely available locally and overseas.
- Most of the bulky and basic building materials such as iron and steel materials, earth, sand, bricks, roofing tiles and cement are available locally. As such, developers are normally not vulnerable to imports as most common materials are available locally, and if not, there many alternative sources of supply overseas.

9. PROSPECTS AND OUTLOOK OF THE PROPERTY DEVELOPMENT INDUSTRY IN MALAYSIA

- The immediate prospects of the Property Development Industry in Malaysia are expected to soften due to various cooling measures implemented by the Government of Malaysia. The cooling measures are designed to ensure sustainability and to improve the long-term prospects of the Property Development Industry in Malaysia.



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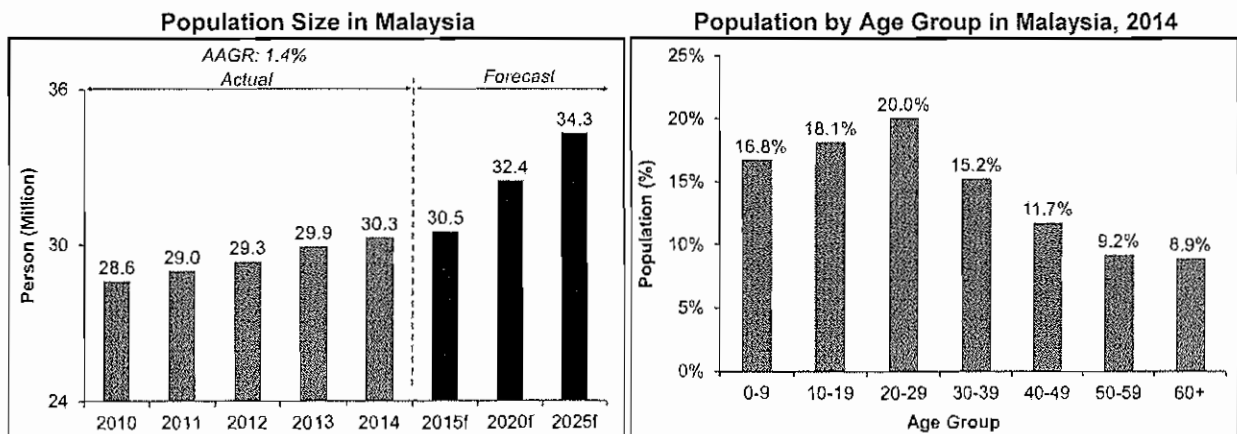
- The prospects and outlook of the Property Development Industry in Malaysia are generally dependent on the following factors:
 - Performance of the property market in Malaysia;
 - Socio-economic conditions;
 - Business confidence;
 - Performance of the retail trade industry in Malaysia;
 - Government initiatives in Malaysia.
- Additionally, the demand for shopping complexes and leisure properties are also dependent on the growth of the tourism industry.

9.1 Performance of the Property Market in Malaysia

- Between 2009 and 2013, the property market in Malaysia has been experiencing market demand where volume and value of property transacted grew at an AAGR of 3.0% and 17.1% respectively. However in 2013, the property market softened and this is supported by a decline in transaction volume by 10.9%, from approximately 427,500 transactions in 2012 to approximately 381,100 transactions in 2013. The property market slowed down in 2013 in line with the moderate economic growth where real GDP grew by 4.7%, the lowest growth since 2010. Additionally, the upward revision of RFGT by 5% in the Budget 2013 which took effect in January 2013 has, to some extent, impacted on the property market.
- As the construction sector is linked to the property development industry, its performance will have a bearing on the prospects of the property market. In 2014, the construction sector is forecasted to grow at a moderate pace of 12.7% whereby the property market activity will be largely driven by the residential sub-sector attributed to the planned supply of housing through PR1MA, Syarikat Perumahan Nasional Berhad and National Housing Department. (Source: Bank Negara Malaysia)

9.2 Socio-Economic Conditions

9.2.1 Population Profile



Notes: f = forecast; AAGR between 2010 and 2014; Population refers to mid-year population
(Source: Department of Statistics, Malaysia)



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- Malaysia's total population grew at an AAGR of 1.4% between 2010 and 2014. The continuing growth in Malaysia's population will spur demand for residential property development. The following are some observation of population trends in Malaysia:
 - (i) More than half of Malaysia's population are aged below 30 years old;
 - (ii) The composition of Malaysia's population in 2014 comprises largely of adults aged between 20 and 59 years of 56.1%.
- The continuing growth of Malaysia's population where it is projected to reach 34.3 million by 2025, will present opportunities for property developers in terms of residential property development.

9.2.2 Loans

- One of the most critical demand dependencies, particularly for the residential property sector, is the amount of loans given to buyers. Availability of loans are predicated on several factors including the following from the lenders' perspective:
 - Liquidity in the market;
 - Financial institutions' internal lending policies;
 - Government policies;
 - Bank Negara Malaysia policies and guidelines.

Loans to Relevant Sectors in Malaysia

	2010	2011	2012	2013	2014	AAGR 2010-14 (%)
Property Sector	405,852	470,654	541,589	619,159	708,880	15.0
<i>Growth rate (%)</i>	15.0	16.0	15.1	14.3	14.5	
Purchases of residential property	237,440	268,819	303,369	344,038	389,227	13.2
<i>Growth rate (%)</i>	13.2	13.2	12.9	13.4	13.1	
Purchases of non-residential property	90,738	110,039	131,518	154,897	177,697	20.3
<i>Growth rate (%)</i>	22.5	21.3	19.5	17.8	14.7	

Notes: All units are in RM million, except percentages; Loans are by Commercial Banks, Islamic Banks and Merchant Banks.

(Source: Bank Negara Malaysia; computed by Vital Factor Consulting)

- Between 2010 and 2014, loans for property purchases grew strongly with year-on-year double digit growth rates. The continuing growth in loans indicates sufficient financing liquidity in the property market to support demand for properties.



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Loans for the Purchase of Selected Residential Property in Malaysia

	2010	2011	2012	2013	2014	AAGR 2010-14 (%)
Low medium cost	9,572	9,004	7,720	7,080	7,032	(7.4)
<i>Growth rate (%)</i>	(4.7)	(5.9)	(14.3)	(8.3)	(0.7)	
Medium cost	20,522	19,867	17,900	17,085	16,549	(5.2)
<i>Growth rate (%)</i>	(2.2)	(3.2)	(9.9)	(4.6)	(3.1)	
Higher medium-cost ...	30,878	31,172	42,027	42,291	42,181	8.1
<i>Growth rate (%)</i>	2.6	1.0	34.8	0.6	(0.3)	
High cost	175,507	207,809	234,624	276,704	322,668	16.4
<i>Growth rate (%)</i>	19.0	18.4	12.9	17.9	16.6	

Notes: All units are in RM million, except percentages; Loans are by Commercial Banks, Islamic Banks and Merchant Banks; Low medium-cost = RM25,001 – RM60,000; Medium-cost = RM60,001 – RM100,000; Higher medium-cost = RM100,001 – RM150,000; High-cost = more than RM150,000; (Source: Bank Negara Malaysia)

- Between 2010 and 2014, while overall loans for the purchase of residential properties grew, it was mainly driven by the loans for the purchase of high cost residential properties. In 2014, loans for the purchase of high cost residential properties registered highest growth among the sub-sectors, and commanded the largest proportion, which represented 82.9% of all loans for the purchase of residential properties.

Loans for the Purchase of Selected Non-Residential Property in Malaysia

	2010	2011	2012	2013	2014	AAGR 2010-14 (%)
Commercial Complexes	9,600	10,836	11,487	13,472	16,469	14.4
<i>Growth rate (%)</i>	15.9	12.9	6.0	17.3	22.3	
Shops	38,573	44,735	51,934	60,896	69,888	16.0
<i>Growth rate (%)</i>	18.6	16.0	16.1	17.3	14.8	

Notes: All units in RM million, except percentages; Loans are by Commercial Banks, Islamic Banks and Merchant Banks (Source: Bank Negara Malaysia)

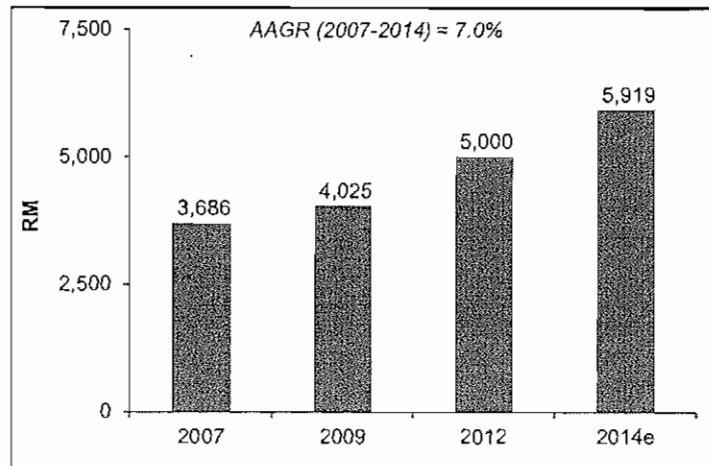
- Between 2010 and 2014, the loans to purchase commercial complexes and shops in Malaysia registered double digit growth with AAGR of 14.4% and 16.0% respectively.
- However with the tightening of the bank lending measures by Bank Negara Malaysia including the more stringent LTV ratio, reduction in the maximum tenure of the loan period and the recent increase in the overnight policy rate (OPR) by 25 basis points which will increase the BLR and BFR. All these measures are expected to impact on the loans for the purchase of properties.



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9.2.3 Household Income

Average Monthly Household Income in Malaysia



Note: e=estimate
(Source: Department of Statistics, Malaysia)

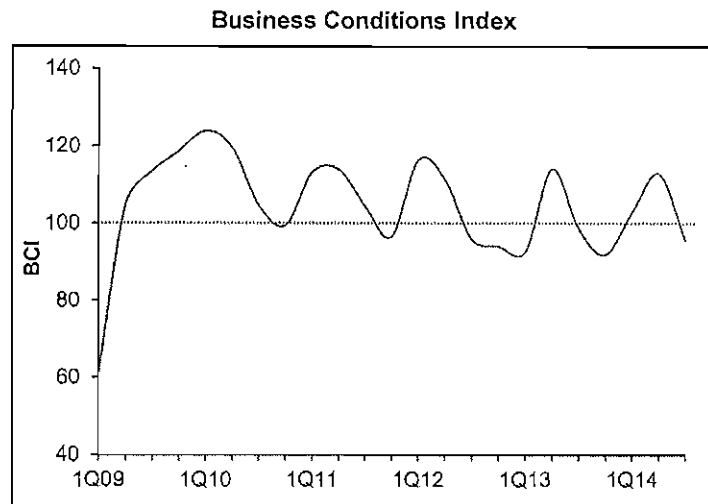
- Growth in household income provides an indication of increasing affluence of the general population. Between 2007 and 2014, the monthly household income in Malaysia grew by an AAGR of 7.0%. The increasing affluence of the population would increase affordability and stimulate the demand for the purchase of properties assuming wages grow faster than property prices. However, if property prices continue to grow faster than wages, then properties will be less affordable to the average household.

9.3 Business Confidence

- The level of confidence of the Malaysian economy within the business community provides an indication of the robustness and likely trend of business activities in Malaysia. A strong business confidence level is expected to boost economic activities that will benefit businesses in Malaysia. This will in turn, spur business establishment and expansion, hence creating a positive impact on the demand for commercial properties.



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(Source: Malaysian Institute of Economic Research)

- After the global economic crisis that occurred in late 2008/early 2009, business confidence regained some strength towards the end of 2009 with an increase in inventory levels and employment where it reached its peak in the first quarter of 2010 with BCI of 124.0 points.
- Since then, the BCI fluctuated within the 100-point mark and it reached the lowest at 92.0 points in the fourth quarter of 2013 which was attributed to lower sales performance and sluggish domestic and export orders. The low business confidence could have been contributed by seasonal factors which affected business activities in the last quarter of 2013. Additionally, business confidence was also affected due to concerns over rising business costs from higher fuel prices and the implementation of minimum wages.
- In the first quarter of 2014, the BCI rose to 103.1 points due to favourable outcomes and expectations from the business community. These outcomes and expectations include, among others, improvements in manufacturing sales, increased employment opportunities and expected acceleration in business activity in the coming quarter period, although expectations on domestic demand and export orders remained moderate. During the second quarter of 2014, the BCI surged to 113.0 points, driven by strong domestic external demand, increase in production output, as well as higher investment in new plant and equipment. However, the BCI decline to 95.9 point in the third quarter of 2014, attributed to a fall in domestic and export orders.
- Nonetheless, the view is that business confidence in Malaysia will remain resilient as business spending growth will continue to be supported by the on-going Economic Transformation Programmes (ETP) projects.

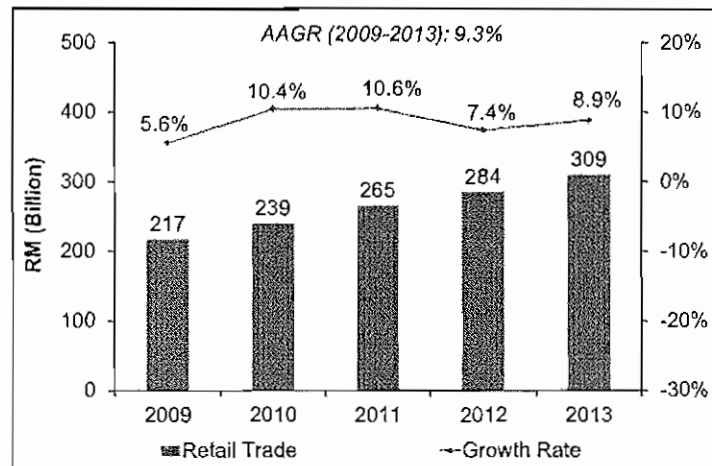


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9.4 Performance of the Retail Trade Industry in Malaysia

- Demand for commercial properties particularly shop units and shopping complexes are dependent on the performance of the retail trade industry in Malaysia.

Sales Value of Retail Trade Industry in Malaysia



(Source: Department of Statistics, Malaysia)

- The sales value of the retail industry in Malaysia grew at an AAGR of 9.3% between 2009 and 2013. The continuing expansion of the retail trade sector will have a positive impact on the demand of shop units and shopping complexes.

9.5 Government Initiatives in Malaysia

- The Malaysian Government has implemented various initiatives which benefit the operators within the Property Development Industry in Malaysia. These initiatives are depicted as follows:
 - On-going development of the five regional economic corridors signals a potential growth in the economy and the property market in these regions namely Iskandar Malaysia, Northern Corridor Economic Region, East Coast Economic Region, Sabah Development Corridor and Sarawak Corridor.
 - The Government had launched the My First Home Scheme programme in the Budget 2011 to assist young adults with earnings below RM3,000 per month to purchase their first home with maximum property value of RM220,000. In the Budget 2012, the maximum property value allowed was increased to RM400,000 effective from 1 January 2012. Subsequently in the Budget 2013 announcement, the Government raised the income limit to RM5,000 per month for individual loans and RM10,000 per month for joint loans of spouses. With Cagamas Berhad providing guarantee on the 10% down payment, home buyers under this programme are allowed to obtain 100% financing loan from financial institutions without having to pay the down payment.



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- (iii) To increase access to home ownership at affordable prices, the Government will allocate RM644 million to the National Housing Department (JPN) for the implementation of Program Perumahan Rakyat involving the construction of 26,000 housing units. In addition, the Government will allocate RM1.3 billion for the provision of 80,000 housing units under the 1Malaysia People's Housing Programme (PR1MA) for middle-income households located in key urban areas. Furthermore, Syarikat Perumahan Negara Berhad (SPNB) will build a total of 37,000 housing units, of which 20,000 units will be built on privately owned land.
- (iv) The Government introduced the Private Affordable Ownership Housing Scheme (MyHome) under the Budget 2014 to encourage the private sector to build more low and medium-cost houses. A total of RM300 million will be allocated under the supervision of Ministry of Urban Well-being, Housing and Local Government. Private developers will be given a subsidy of RM30,000 for each unit built based on several criteria under the scheme.
- (v) The Youth Housing Scheme was introduced in the Budget 2015 by the Government in partnership with Bank Simpanan Nasional, Employees Provident Fund and Cagamas Berhad. Married youth aged between 25 and 40 years of age with household income not exceeding RM10,000 per month are eligible for a funding limit of not more than RM500,000 to own a first home. The scheme is limited to 20,000 housing units only.
- (vi) The Government launched the Green Building Index (GBI) on 21 May 2009 to promote the use of green technology. Under the 2010 Budget, the Government proposed that building owners with GBI Certificates were given income tax exemption equivalent to the additional capital expenditure in obtaining such Certificates until end of 2014 however in the following Budget 2011, the incentive was extended until 31 December 2015. Additionally, Green Building buyers were also given stamp duty exemption on its sales and purchase agreements until 31 December 2014.
- (vii) In the Budget 2013, the Government extended the Green Technology Financing Scheme (GTFS) with increased funding by RM2 billion for another three years ending 31 December 2015. The fund, which was initially introduced in the Budget 2010, supports companies which are producers and users of green technology to obtain loans, with 2% interest rate subsidised and 60% of financing amount guaranteed by the Government.

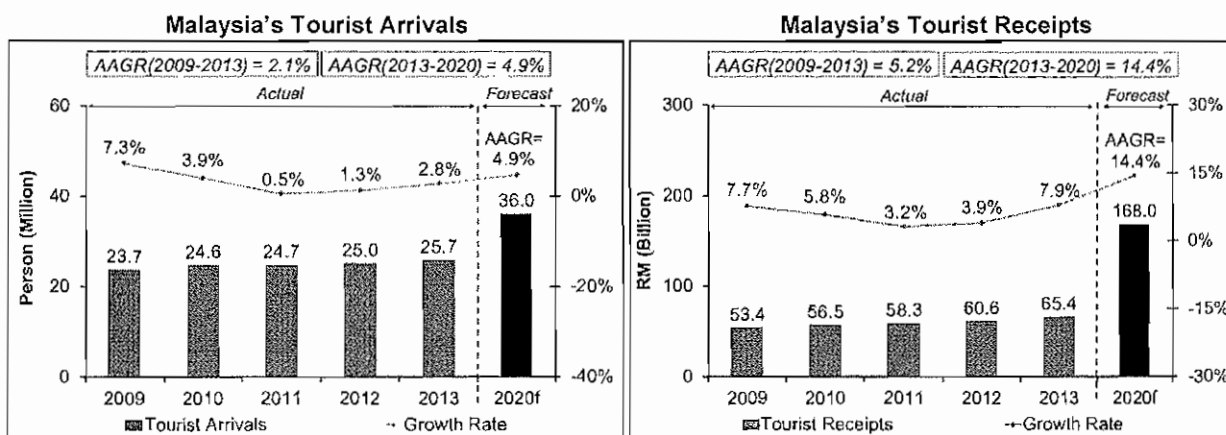
(Sources: Performance Management and Delivery Unit (PEMANDU); Budget 2010; Budget 2011; Budget 2012; Budget 2013; Budget 2014; Budget 2015)



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9.6 Tourist Arrivals and Receipts

- Strong tourist arrivals and receipts will boost demand for properties in the leisure, hospitality, recreational and shopping sectors.



(Source: Ministry of Tourism and Culture Malaysia)

- Since 2009, Malaysia has seen a constant rise in the number of tourist arrivals, and also a constant increase in tourist receipt value. In 2013, 25.7 million tourist arrivals were recorded in Malaysia, generating RM65.4 billion in revenue. Both accommodation and retail spending were the top categories of expenditure by tourists in 2013.
- To boost the tourism industry, the Malaysian Government launched the Malaysia Year of Festivals (MyFest) in Budget 2015, aiming to achieve 29.4 million tourist arrivals and RM89 billion tourist receipts. This year-long campaign is a driver for the Government's target to receive 36 million tourist and RM168 billion in receipt by 2020 as mapped out in the Malaysian Tourism Transformation Plan 2020. Furthermore, in the revision of Budget 2015, the Government announced waiver of visa fees for tourists from, among others, China, as part of a strategy to boost Malaysia's tourism industry. Ultimately, the constant growth of tourist into Malaysia will drive the demand of hotels and other tourist related products and services.

10. PROSPECTS AND OUTLOOK OF THE PROPERTY DEVELOPMENT INDUSTRY IN SELANGOR

- The outlook of the Property Development Industry in Selangor is generally dependent on the performance of the following:
 - Performance of the property market in Selangor;
 - Socio-economic conditions;
 - Government initiatives in Selangor.



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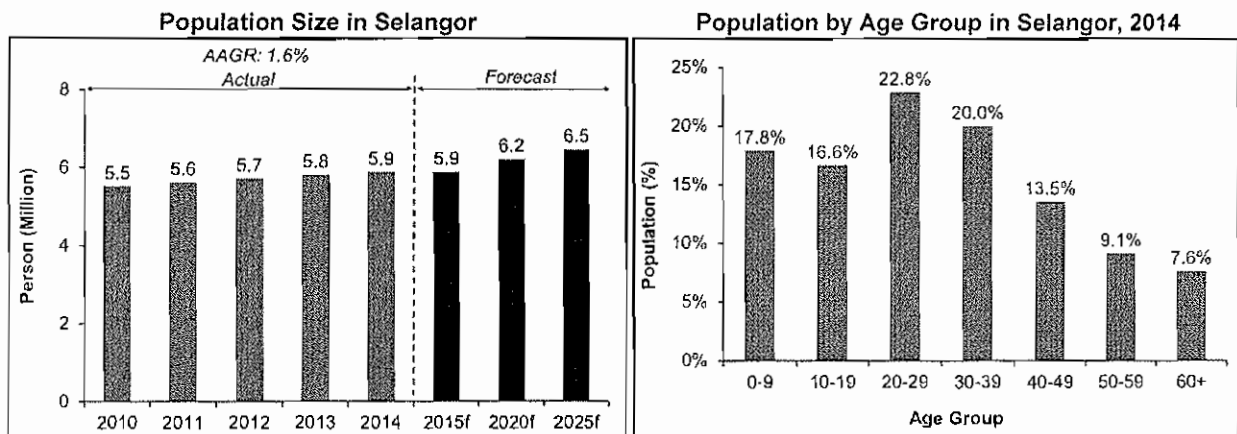
10.1 Performance of the Property Market in Selangor

- Between 2009 and 2013, the volume of all property transactions in Selangor registered a minor AAGR of less than 0.1% while the value of transactions grew at an AAGR of 13.5%. Similar to the overall national property market, the demand for properties in Selangor also softened in 2013 with volume and value reducing by 15.1% and 5.5% respectively against the corresponding period in 2012. The softening in demand for properties in Selangor may be attributed to the moderate economic growth where Malaysia's real GDP grew at 4.7%, the lowest growth since 2010. In addition, the announcement of several cooling measures by Bank Negara as well as the upward revision of RPGT could be the possible reasons contributing to the softening of the property market in Selangor.

(Source: Valuation and Property Services Department, Ministry of Finance)

10.2 Socio-economic Conditions

10.2.1 Population Profile



Notes: f=forecast; Population refers to mid-year population
(Source: Department of Statistics, Malaysia)

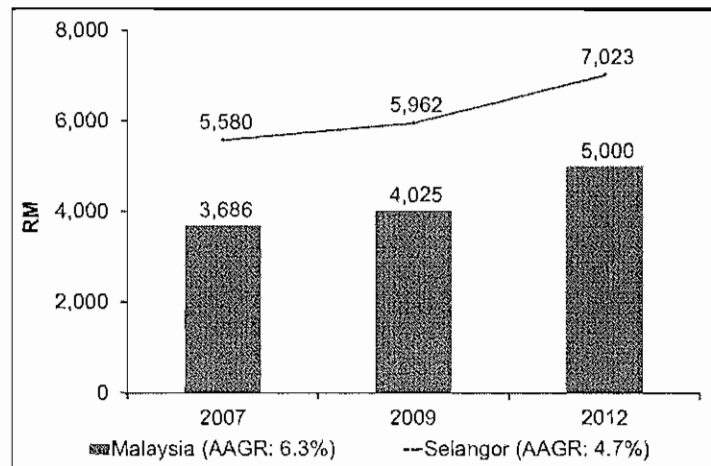
- Between 2010 and 2014, the population in Selangor increased at an AAGR of 1.6%. Selangor is the most populous state with 5.9 million, representing 19.4% of Malaysia's total population of 30.3 million in mid-2014. Selangor is forecasted to achieve a population of 6.5 million by 2025 which augurs well for property developers as they will continue to play a role in catering to the housing needs of the growing population in Selangor.
- The profile of the population of Selangor indicated that 65.4% were between the age groups of 20 to 59 years of age, which represented the income generating group which may be the target buyers of properties.



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10.2.2 Household Income

Average Monthly Household Income in Selangor



Note: AAGR is between 2007 and 2012
 (Source: Department of Statistics, Malaysia)

- The average monthly household income in Selangor grew at an AAGR of 4.7% between 2007 and 2012. For the past years under review, the average monthly household income in Selangor was generally higher than the national average. This indicates a higher purchasing power of households in Selangor which would contribute positively to the demand for properties in Selangor assuming the prices of properties do not grow faster than wages. However, if property prices continue to grow fast than wages, then properties will be less affordable to the average household.

10.3 Government Initiatives in Selangor

- Various initiatives undertaken by the Malaysian Government in Selangor would also benefit operators in the Property Development Industry. These initiatives are as follows:-
 - Extension of the Kelana Jaya light railway transit (LRT) Line and Ampang LRT Line with a total of 26 new stations covering areas such as Subang Jaya, USJ, Puchong, Kinrara and Putra Heights.
 - Construction of new mass rapid transit (MRT) lines for Greater Kuala Lumpur / Klang Valley to reduce congestion and cater for the region's growing population.
 - Construction of a high-speed rail system (HRS) to connect Greater Kuala Lumpur / Klang Valley and Singapore to enhance commerce and business between the two economies centres.
 - Initiation of flagship Green Township in Cyberjaya through the introduction of Green Guidelines and a Green Rating System. Green Building developers and buyers are entitled to several incentives provided by the Government.



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- Construction of road networks including the Damansara – Shah Alam Highway (DASH), Eastern Klang Valley Expressway (EKVE), Sungai Besi – Ulu Klang Expressway (SUKE) and West Coast Expressway from Taiping to Banting, which should improve connectivity and accessibility to townships and cities in Selangor.

(Sources: Economic Transformation Programme; Land Public Transport Commission; Budget 2010; Budget 2015)

- Developments sited close to transportation and other amenities will benefit as they provide convenience and improved quality of living.

11. PROSPECTS AND OUTLOOK OF THE PROPERTY DEVELOPMENT INDUSTRY IN JOHOR

- As part of the Enlarged MCT Group's future plan is to be involved in property development in Tebrau, Johor, this section will cover the prospects and outlook of the Property Development Industry in Johor.

11.1 Short Term Prospects and Outlook

- The short term prospects of the Property Development Industry in Johor are expected to soften in line with the sentiments of Malaysia's property market mainly due to concerns of potential oversupply of properties in Johor coupled with the various cooling measures implemented by the Government of Malaysia as well as the Johor State Government.
- Indications of potential oversupply in the property market in Johor include:
 - Unsold units of residential properties that have not been constructed as yet and under construction increased by 52.5% and 57.5% respectively in the third quarter of 2014 compared to the corresponding period in 2013;
 - Unsold shop units that are have not been constructed as yet and under construction increased by 103.4% in the third quarter of 2014 compared to the corresponding quarter in 2013;
 - Future supply of residential properties in terms of incoming supply and planned supply increased by 15.3% and 13.5% respectively in the third quarter of 2014 compared to the corresponding period in 2013;
 - Future supply of shop units in terms of incoming supply and planned supply increased by 20.2% and 17.9% respectively in the third quarter of 2014 compared to the corresponding period in 2013;
 - Future supply of shopping complexes in terms of incoming supply and planned supply increased by 85.5% and 605.5% respectively in the third quarter of 2014 compared to the corresponding period in 2013;
 - Johor's House Price Index contracted by 1.6% in the third quarter of 2014 compared to the preceding quarter in 2014

(Source: Valuation and Property Services Department, Ministry of Finance)

- Details of some of the factors indicating short term softening of the property market in Johor include the following:
 - Performance of property launches;
 - Future supply of properties;
 - Property prices.



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11.1.1 Performance of the Property Launches

Number and Sales Performance of Launches of Residential and Shop Units in Johor

	Q3 2013	Q3 2014	Growth Rate (%)
<u>Residential Units</u>			
<u>Not Constructed</u>			
Units Launched.....	7,271	9,039	24.3
Units Unsold	3,320	5,064	52.5
<u>Under Construction</u>			
Units Launched.....	26,823	39,250	46.3
Units Unsold	10,955	17,256	57.5
<u>Completed</u>			
Units Launched.....	11,542	12,065	4.5
Units Unsold	3,331	3,193	(4.1)
<u>Shop Units</u>			
<u>Not Constructed</u>			
Units Launched.....	471	303	(35.7)
Units Unsold	266	209	(21.4)
<u>Under Construction</u>			
Units Launched.....	2,970	3,978	33.9
Units Unsold	1,052	2,140	103.4
<u>Completed</u>			
Units Launched.....	4,407	4,016	(8.9)
Units Unsold	1,690	1,711	1.2

Notes: All in terms of units except percentages;

(1) Unsold units refer to units that remained unsold for more than nine months from the date of launch;

(2) Not constructed refers to units with building plan approval that have not yet been constructed;

(3) Under construction refers to units with building plan approval that are under construction;

(4) Completed refers to units that are completed with Certificate of Completion and Compliance/ Temporary Certificate of Fitness of Occupation.

(Source: Valuation and Property Services Department, Ministry of Finance)

- In the third quarter of 2014, completed residential units improved with unsold units decreasing by 4.1% compared to the corresponding period in 2013. However, in third quarter of 2014, unsold residential units that have yet to be constructed and under construction in Johor increased by 52.5% and 57.5% respectively compared to the corresponding period in 2013.



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- Similarly, for shop units, while the number of unsold units not constructed declined by 21.4% in the third quarter of 2014 compared to the corresponding period in 2013, the number of unsold units under construction and completed increased by 103.4% and 1.2% respectively.
- The property market in Johor needs to take cautionary note on the increasing number of unsold units of residential and shop-lot properties.

11.1.2 Future Supply of Properties

Future Supply of Properties in Johor Based on Third Quarter of 2013 and 2014

	Q3 2013	Q3 2014	Growth Rate (%)
Residential Units			
Incoming Supply ⁽¹⁾	116,656	134,539	15.3
Planned Supply ⁽¹⁾	162,974	185,048	13.5
Shop Units			
Incoming Supply ⁽¹⁾	13,221	15,898	20.2
Planned Supply ⁽¹⁾	12,841	15,142	17.9
Shopping Complexes			
Incoming Supply ⁽²⁾	83	154	85.5
Planned Supply ⁽²⁾	55	388	605.5
Purpose-Built Office			
Incoming Supply ⁽²⁾	99	87	(12.1)
Planned Supply ⁽²⁾	-	-	-

Notes:

(1) In terms of units;

(2) In terms of thousand square metres.

(Source: Valuation and Property Services Department, Ministry of Finance)

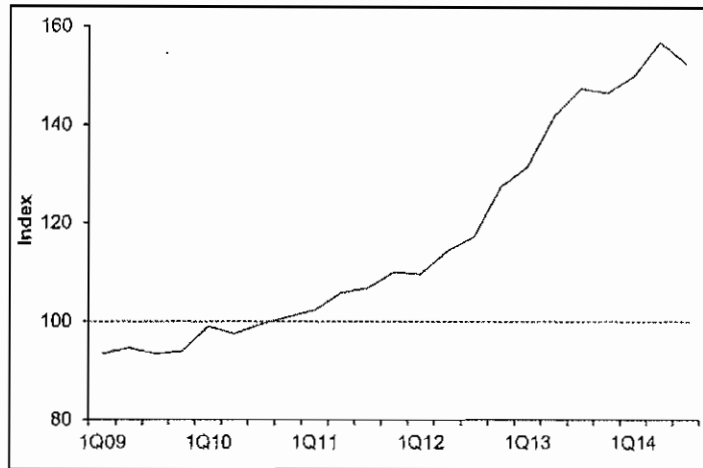
- In the third quarter of 2014, the future supply of residential and commercial properties in terms of incoming supply and planned supply mostly recorded double digit growth with the exception of purpose-built office. In particular, planned supply of shopping complexes grew by 605.5% in the third quarter of 2014 compared to the corresponding period in 2013. The growth of future supply of residential, commercial and shopping complex properties could potentially contribute to an oversupply situation, at least in the short term. This growth could be attributed to the on-going development and increased investments in Iskandar Malaysia. Notably, there have been a number of foreign property developers that entered the property market in Johor, particularly in Iskandar Malaysia, namely Country Garden Holdings Ltd, Guangzhou R&F Properties Co and Greenland Group, among others. The increase in future supply of properties in Johor is contributed by these foreign developers as well as local developers. *(Source: Vital Factor Consulting analysis)*



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11.1.3 Property Prices

Johor House Price Index (2000 = 100)



(Source: Valuation and Property Services Department, Ministry of Finance)

- Since the first quarter of 2009, the residential property prices in Johor have been increasing more than 60% up to the third quarter of 2014. By the second quarter of 2011, residential property prices started to become relatively higher compared to 2000. In the third quarter of 2014, Johor's House Price Index (HPI) contracted by 1.6% compared to the previous second quarter in 2014. Due to the increased number of unsold residential units, some property developers have started to offer discounts on properties in order to boost sales. (Source: Vital Factor Consulting analysis).

11.2 Longer Term Prospects and Outlook

- The longer term prospect and outlook of the Property Development Industry in Johor would generally improve based on the following considerations:
 - Government initiatives to improve the infrastructure development within Johor as well as connectivity between Klang Valley, Johor and Singapore; and
 - The long term key development in Iskandar Malaysia up to 2025 would eventually spur demand for properties in Johor.

11.2.1 Government Initiatives in Johor

- Some of the Government initiatives that could have an impact on the Property Development Industry in Johor include the following:
 - (i) Recent construction of road system infrastructures such as Iskandar Coastal Highway and Eastern Dispersal Link Expressway would provide linkage within Johor.



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- (ii) Construction of the Ipoh-Padang Besar double-tracking railway project and later extending to Johor Bahru as well as upgrading rail tracks nationwide with an allocation of RM2.9 billion.
- (iii) Development of high speed rail link from Kuala Lumpur to Singapore which includes seven stations in Malaysia namely Kuala Lumpur, Putrajaya, Seremban, Ayer Keroh, Muar, Batu Pahat and Nusajaya. Expected actual travel time between Kuala Lumpur and Singapore is estimated at 90 minutes. The construction of this project is expected to commence in 2016.

(Sources: Iskandar Regional Development Authority; Budget 2014)

11.2.2 Developments in Iskandar Malaysia

- Iskandar Malaysia, which is located in Johor, is one of the five regional economic corridors initiated by the Malaysian Government. Some of the key facts about this regional economic corridor are as follows:
 - (i) Covers an area of 2,217 km², which is approximately three times the size of Singapore.
 - (ii) Located in proximity to Singapore, and supported by various transportation network systems such as the Johor-Singapore Causeway, Malaysia-Singapore Second Link and railway link.
 - (iii) Designated to be a prime hub for nine economic clusters that have been identified as the main economic pillars where local and foreign direct investments are encouraged. These economic clusters include electrical and electronics, petrochemicals and oleo chemicals, food and agro processing, creative and ICT, education, financial advisory and consulting, healthcare, logistics and tourism.
 - (iv) Five flagship zones have been identified as the key development areas in Iskandar Malaysia. The economic growth in the following zones are targeted to be strengthened and diversified:

Flagship Zone	Area	Selected Key Developments
A	Johor Bahru City Centre	<ul style="list-style-type: none"> - New financial district - Danga Bay Integrated Waterfront City - Upgrading of Central Business District - Tebrau Plentong Mixed Development - Malaysia/Singapore Causeway
B	Nusajaya and Medini	<ul style="list-style-type: none"> - Johor New State's Admin Centre - EduCity - Medical Hub - International Destination Resort - Southern Industrial Logistic Clusters
C	Western Gate Development	<ul style="list-style-type: none"> - Port of Tanjung Pelepas - RAMSAR World Heritage Park - Free Trade Zone



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Flagship Zone	Area	Selected Key Developments
		<ul style="list-style-type: none"> - Second Link Access - Tanjung Piai
D	Eastern Gate Development	<ul style="list-style-type: none"> - Tanjung Langsat Technology Park - Pasir Gudang Port - Tanjung Langsat Port - Kim-Kim Regional Distribution Centre
E	Senai-Skudai	<ul style="list-style-type: none"> - Senai International Airport - Senai Cargo Hub - Senai Multimedia Centre - Skudai Knowledge Hub - Hi-Tech Park

(Source: Iskandar Regional Development Authority)

- The development of these flagship zones and economic clusters will increase the population within the designated areas, as well as increase commercial and industrial activities in Johor. This in turn will create demand for residential, commercial and industrial properties in Johor.

12. DRIVERS OF GROWTH

- Some of the drivers of growth for the Property Development Industry are:
 - **Socio-economic growth** such as Gross Domestic Product growth and population growth will boost the requirements for housing and ultimately increase the demand for property development. In addition, it will also drive commercial activities to increase demand for commercial properties.
 - **Increasing affluence** of consumers as reflected in the increase in Gross National Product per capita and disposal income, which will increase affordability and stimulate the demand for the purchase of properties assuming wages grow faster than property prices. However, if property prices continue to grow faster than wages, then properties will be less affordable to the average household.
 - **Government initiatives** to encourage the ownership of residential housing such as My First Home Scheme programme would continue to provide opportunities for the Property Development Industry. Other initiatives such as on-going developments of the five regional economic corridors would also provide flow-on benefits to the surrounding areas in terms stimulating demand for residential, commercial and leisure developments.



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13. THREATS AND RISK ANALYSIS

13.1 Fluctuation in Prices of Major Building Materials

- The major building materials are cement and concrete materials, and iron and steel materials. As cement and concrete materials, and iron and steel materials are commodities, prices of these building materials are subject to the fluctuations in global market prices.

Mitigating Factors

- Operators may enter into long-term or fixed-price contract with key suppliers to mitigate against any risk of price increase in the major building materials. Operators with strong financial strength may be able to purchase and maintain stock of key raw materials to create a cushion against price fluctuations. Nevertheless, as these building materials are commodities and therefore are subjected to world prices, all operators that use these materials are equally affected by price fluctuations.

13.2 Global Economic Slowdown

- Any prolonged and/or widespread economic slowdown would affect consumer and business confidence. Any uncertainty in the global and local economies would have an effect on the level of investments in properties. This will correspondingly have a negative impact on property development activities.

Mitigating Factors

- As for 2015, real GDP of the Malaysian economy is expected to grow between 4.5% and 5.5%. This is relatively higher than the projection of advanced economies* in 2015, which is estimated at 2.4%.

*Note: * Includes Australia, Austria, Belgium, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Luxembourg, Malta, Netherlands, New Zealand, Norway, Portugal, San Marino, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States of America*

(Source: Ministry of Finance; International Monetary Fund)

- It is expected that the continuing GDP growth in Malaysia will help generate domestic business activities and domestic consumption, which will in turn help counter a slowdown in the local economy.

13.3 Property Overhang

- Property overhang is defined as residential, shops and industrial units that have been completed and issued with a Certificate of Completion and Compliance/Temporary Certificate of Fitness of Occupation but remained unsold for more than nine months after it was launched for sales on or after 1st January 1997.
- The increase in overhang property is commonly due to over-supply and/or low take-up of new launches by developers. The continuing rise in property overhang will have an impact on property developers within the industry.



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- The following is an analysis of the property overhang situation in the past five years:
 - Between 2009 and 2013, the number of residential property overhang in Malaysia, Selangor and Johor decreased at an average annual rate of 12.0%, 17.5% and 9.8% respectively. Similarly, the overhang situation in the shop sub-sector in Malaysia, Selangor and Johor decreased at an average annual rate of 2.9%, 23.5% and 2.3% respectively, between 2009 and 2013. This indicates that the property overhang situation has been improving.
 - In the third quarter of 2014, the residential property overhang in Malaysia decreased by 21.0% compared to the corresponding period in 2013. The overhang situation in the shop sub-sector in the third quarter of 2014 decrease slightly 1.0% compared to the corresponding period in 2013. In Selangor, the number of residential and shop units overhang in the third quarter of 2014 decreased by 23.3% and 49.3% respectively compared to the corresponding period in 2013.
 - In Johor, the number of residential property overhang in the third quarter of 2014 decreased by 4.1%. However, this improvement was overshadowed by slower absorption rates of unsold units not constructed and under construction for residential units in the third quarter of 2014, which increased by 52.5% and 57.5% respectively compared to the corresponding period in 2013. Meanwhile, shop units overhang increased by 1.2% compared to the corresponding period in 2013. In view thereof, the property market in Johor needs to take cautionary note on the increasing number of unsold units of residential and shop-lot units.

(Source: Valuation and Property Services Department, Ministry of Finance)

Mitigating Factors

- The Government had launched the My First Home Scheme programme under the Budget 2011 to assist young adults with income below RM3,000 per month to purchase their first home. Subsequently in the Budget 2013 announcement, the Government raised the income limit to RM5,000 per month for individual loans and RM10,000 per month for joint loans of spouses. With Cagamas Berhad providing guarantee on the 10% down payment, home buyers under this programme are allowed to obtain 100% financing loan from financial institutions without having to pay the down payment.
- In the Budget 2015, the Government raised the ceiling of monthly household income for PR1MA houses from RM8,000 to RM10,000.
- According to the Budget 2012, the maximum property value allowed under the scheme had been increased from RM220,000 to RM400,000 effective from 1 January 2012.
- The above programmes are aimed at stimulating demand for properties and house ownership in Malaysia particularly for the low to middle income group. This is expected to have a favourable impact on the Property Development Industry in Malaysia.



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13.4 Implementation of Tighter Control Measures on Property Market in Malaysia

- Bank Negara Malaysia has implemented several rounds of measures since 2010 to promote a stable and sustainable property market, and to ensure that prices of properties remain affordable to the general public. The key cooling measures that are applicable for residential and commercial properties are as follows:-
 - (i) The implementation of a maximum loan-to-value (LTV) ratio of 70% on third and subsequent housing loans taken by individuals by Bank Negara Malaysia on 3 November 2010. Subsequently, in December 2011, non-individual borrowers were also subjected to an LTV ratio of 60% for residential property loans to ensure consistency with the 2010 measure applied to individuals.
 - (ii) From 1 January 2012 onwards, financial institutions are required to assess borrower's income after statutory deductions for tax and retirement fund, and consider all debt obligations before approval of the loan.
 - (iii) In July 2013, Bank Negara Malaysia reduced the maximum tenure of property loans, residential and non-residential, from 45 years to 35 years.
- Additionally, in the Budget 2014, the Government had announced the implementation and revision of several measures to ensure stable house prices, and to control excessive speculative activities. The measures that are applicable for residential and commercial properties are as follows:
 - (i) The upward revision of Real Property Gains Tax (RPGT). This was the 3rd consecutive year the Government has raised the RPGT. The revised RPGT is as shown in the following table.

Disposal Period (from acquisition date)	RPGT effective 1 January 2014		
	Individual		Companies
	Malaysian*	Foreign	
Within 3 years	30%	30%	30%
4 th year	20%	30%	20%
5 th year	15%	30%	15%
After 5 years	0%	5%	5%

*Note: *Citizens and Permanent Residents
(Source: Ministry of Finance)*

- (ii) The increase of minimum price of property that can be purchased by foreign individuals and companies from RM500,000 to RM1,000,000.
- (iii) Prohibition on property developers from implementing projects that have features of Developer Interest Bearing Scheme (DIBS) and the interest capitalisation scheme (ICS), to prevent developers from incorporating interest rates on loans in house prices during the construction period. Financial institutions are prohibited from providing the final funding for projects involved in the DIBS scheme.



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- In July 2014, Bank Negara Malaysia increased the overnight policy rate (OPR) by 25 basis points or 0.25% to 3.25%, which will increase BLR and BFR.
- In addition to the cooling measure that was implemented in Malaysia, the Johor State Government also implemented additional state policies to address the potential oversupply of properties in Johor. The additional measures include the foreign purchase consent fee of 2% of purchase price instead of RM10,000 previously as well as additional 7.5% levy for immediate release of bumiputera units where as previously developers could only apply for the release of bumiputera units upon 50% of completion of the project or nine months from the launch date.
- These measures implement by the Government may dampen activities in the residential and commercial properties.

Mitigating Factors

- Individual buyers of first and second homes will not be subjected to the maximum LTV ratio of 70% on third and subsequent housing loans implemented by Bank Negara Malaysia and such types of individual borrowers would continue to be able to obtain financing for these purchases at the present prevailing LTV level applied by individual banks based on their internal credit policies. (*Source: Bank Negara Malaysia*). However, this does not mitigate the individual buyers from the reduction of the maximum tenure of property loans from 45 years to 35 years implemented by Bank Negara Malaysia.
- Furthermore, the new method to assess a borrower's debt repayment ability and the Government's recent announcement to increase RPGT will curb speculative activities in property transactions that create large number of unoccupied homes. This in turn protects the interest of property developers by preventing a property bubble.
- In addition, majority of the operators within the Property Development Industry in Malaysia are equally affected by the new ruling imposed.

13.5 Implementation of Goods and Services Tax

- In the Budget 2014, the Government announced that the existing sales tax and service tax will be abolished and replaced by the Goods and Services Tax (GST), which will be effective from 1 April 2015 onwards. The Malaysian Goods and Services Tax Act 2014 was gazetted on 19 June 2014. The GST will be applied to all goods and services unless they are not within the scope of GST. For the Property Development Industry, the implementation of GST may impact on the selling prices for developed properties and affect the take-up rate of properties.

Mitigating Factors

- The GST is a broad base tax and all operators in the Property Development Industry will be equally affected.



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13.6 Competition

- As at 31 January 2015, there were approximately 1,400 active property developers operating in the state of Selangor (Source: *Ministry of Urban Wellbeing, Housing and Local Government*). In this respect, operators within the Property Development Industry do face competition.

Mitigating Factors

- Generally, competition within the Property Development Industry will be somewhat moderated by operators with competitive advantages including a high degree of integration in terms of in-house architectural, engineering, interior design and construction to facilitate better quality and cost control. Furthermore, operators with strategic land banks, appealing architectural designs coupled with reputable track record and healthy financial position are in a stronger position to compete within the industry.

We, Vital Factor Consulting, have prepared this report in an independent and objective manner and have taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Yours sincerely

Wong Wai Ling
Director



(Prepared for inclusion in the Prospectus of
GW Plastics Holdings Berhad to be dated 11 March 2015)

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**INDEPENDENT ASSURANCE REPORT
ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF GW PLASTICS HOLDINGS BERHAD
("GW PLASTICS" OR "THE COMPANY")**

Report on the Compilation of Pro Forma Financial Information

We have completed our assurance engagement to report on the compilation of pro forma financial information of GW Plastics for the financial period from 1 January 2014 to 31 March 2014 prepared by the Board of Directors of the Company ("Board"). The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 March 2014 and the pro forma consolidated statement of cash flows for the financial period 1 January 2014 to 31 March 2014 and related notes as set out in the accompanying attachment and stamped by us for the purpose of identification. The pro forma financial information has been prepared for the inclusion in the prospectus of GW Plastics in relation to the:

- (i) renunciation by the Tan Sri Dato' Sri Goh Ming Choon and Dato' Sri Tong Seech Wi (collectively, the "Vendors") of the Vendors' rights of allotment to 3,534,375 consideration shares ("Free Shares"), in favour of the entitled shareholders, on the basis of three Free Shares for every two new shares held by the entitled shareholders as at 5.00 p.m. on 11 March 2015 ("Renunciation of Shares");
- (ii) additional renunciation by the Vendors of the Vendors' rights of allotment of such number of consideration shares to be renounced/offered in favour of the then existing shareholders of GW Plastics who each holds less than 100 new shares after the completion of the consolidation, the acquisition and the Renunciation of Shares as at 5.00 p.m. on 11 March 2015; and
- (iii) restricted offer for sale of the Vendors rights of allotment of up to 7,500,000 consideration shares ("Shareholder Offer Shares") to the then existing shareholders of GW Plastics as at 5.00 p.m. on 11 March 2015, on the basis of entitlement determined by the Board at an offer price of RM1.30 per Shareholder Offer Share ("Offer Price") payable in full upon application and subject to refund of the difference in the event that the final offer price is less than the Offer Price. The final offer price will be equal to the placement price.

The applicable criteria on the basis of which the Board has compiled the pro forma financial information are described in Notes 1.1 to 1.5 to the pro forma financial information and specified in the Prospectus Guidelines issued by the SC ("Prospectus Guidelines").

APPENDIX V PRO FORMA FINANCIAL INFORMATION OF OUR COMPANY FOR FPE 31 MARCH 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

The pro forma financial information has been compiled by the Board to illustrate the impact of the events as set out in Notes 1.3 and 1.4 to the pro forma financial information, on GW Plastics' financial position as at 31 March 2014 and GW Plastics' cash flows for the financial period 1 January 2014 to 31 March 2014 as if the newly formed enlarged group has been in existence throughout the financial period 1 January 2014 to 31 March 2014. As part of this process, information about the Company's financial position and cash flows has been extracted by the Board from the audited financial statements of the Company for the financial period 1 January 2014 to 31 March 2014.

Directors' Responsibilities for the Pro Forma Financial Information

The Board is responsible for compiling the pro forma financial information on the basis as described in Note 1 to the pro forma financial information.

Our Responsibilities

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the Board on the basis as set out in Note 1 to the pro forma financial information.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board has compiled, in all material respects, the pro forma financial information on the basis of the applicable criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 31 March 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of GW Plastics, the events or transactions in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

APPENDIX V PRO FORMA FINANCIAL INFORMATION OF OUR COMPANY FOR FPE 31 MARCH 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma financial information of GW Plastics has been compiled, in all material respects, on the basis and assumptions as set out in the notes thereon, using pro forma financial information prepared in accordance with Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the pro forma financial information and the accounting policies of GW Plastics, and such basis is consistent, in all material respects, with the accounting policies to be adopted by GW Plastics.

Other Matters

This report is issued for the sole purpose for inclusion in the prospectus in connection with the abovementioned corporate exercises and should not be used or relied upon for any other purpose. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any transaction other than the abovementioned corporate exercises.



DELOITTE
AF 0080
Chartered Accountants



HUANG KHEAN YEONG
Partner – 2993/05/16 (J)
Chartered Accountant

27 February 2015

**GW PLASTICS HOLDINGS BERHAD
NOTES TO THE PRO FORMA FINANCIAL INFORMATION AS AT 31 MARCH 2014**

1. GENERAL

1.1 Pro forma financial information

The pro forma financial information of GW Plastics Holdings Berhad (“the Company” or “GW Plastics”) for the financial period 1 January 2014 to 31 March 2014, are prepared for illustrative purposes only. The pro forma financial information comprises the following:

Section 2 - Pro forma Consolidated Statement of Financial Position as at 31 March 2014

Section 3 - Pro forma Consolidated Statement of Cash Flows for the financial period from 1 January 2014 to 31 March 2014

1.2 Basis of Preparation

The pro forma financial information of GW Plastics has been prepared for illustration purpose only, to show the effects on the audited financial statements of GW Plastics as at 31 March 2014, had the significant event described in Note 1.3 and the regularisation plan of GW Plastics (“Regularisation Plan”) described in Note 1.4 been effected on that date, and should be read in conjunction with the notes thereto.

The pro forma financial information has been prepared using the following:

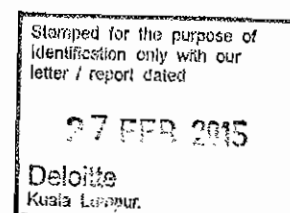
- (a) audited financial statements of GW Plastics for the financial period 1 January 2014 to 31 March 2014, prepared in accordance with Malaysian Financial Reporting Standards in Malaysia; and
- (b) audited financial statements of the companies within the Enlarged MCT Group (as hereinafter defined) as listed in Note 1.5, prepared in accordance with Financial Reporting Standards (“FRSs”) or Malaysian Financial Reporting Standards in Malaysia, as the case may be.

The pro forma financial information has been prepared in a manner consistent with FRSs, the accounting framework to be adopted by the enlarged GW Plastics group (collectively, GW Plastics and the Enlarged MCT Group after the completion of the Regularisation Plan) as the Enlarged MCT Group meets the definition of Transitioning Entities as defined by the Malaysian Accounting Standards Board.

Where applicable, the different accounting framework as adopted by the entities have been adjusted to align with the accounting policies under Financial Reporting Standards in Malaysia to be adopted, and in a manner consistent with both the format of the pro forma financial information and the accounting policies of GW Plastics, and such basis is consistent, in all material respects, with the accounting policies to be adopted by GW Plastics.

1.3 Significant Event Subsequent to 31 March 2014

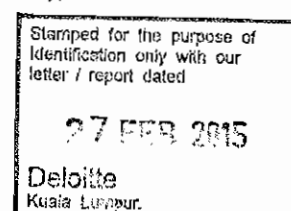
The pro forma financial information incorporates the adjustment relating to the interim dividends amounting to RM1,885,000 paid to the shareholders of GW Plastics, which approved by the Board of Directors of GW Plastics on 12 February 2015.



1.4 Regularisation Plan

The regularisation plan of GW Plastics comprises the following corporate exercises:

- (i) consolidation of the existing issued and paid-up share capital of GW Plastics comprising 235,625,000 ordinary shares of RM0.01 each into 2,356,250 new ordinary shares of RM1 each ("New Shares") on the basis of the consolidation of every 100 ordinary shares of RM0.01 each into one New Share ("Consolidation");
- (ii) acquisition by GW Plastics of the entire issued and paid-up share capital of MCT Consortium Bhd after the completion of the reorganisation exercise ("Enlarged MCT Group") from Tan Sri Dato' Sri Goh Ming Choon and Dato' Sri Tong Seech Wi (collectively, the "Vendors") for an aggregate purchase consideration of RM1,154,639,226, to be satisfied via the issuance of 1,032,420,869 New Shares ("Consideration Shares") and irredeemable convertible unsecured loan stocks ("ICULS") ("Acquisition");
- (iii) exemption to be sought by the Vendors and parties acting in concert ("PAC") with them under Paragraph 16.1 of Practice Note 9 of the Malaysian Code on Take-Overs and Mergers 2010 ("Code") from the obligation to extend a mandatory offer under Part III of Paragraph 9 of the Code to holders of voting shares of GW Plastics to acquire all New Shares not already owned by the Vendors and PAC after the completion of the Acquisition ("Exemption");
- (iv) renunciation by the Vendors of the Vendors' rights of allotment to 3,534,375 Consideration Shares ("Free Shares"), in favour of the entitled shareholders, on the basis of three Free Shares for every two New Shares held by the entitled shareholders as at 5.00 p.m. on 11 March 2015 ("Renunciation of Shares");
- (v) private placement of up to 128,000,000 New Shares ("Placement Shares") to selected investors who fall within the ambit of Schedule 6 and Schedule 7 of the Capital Markets and Services Act 2007 to be identified later ("Identified Investors") at an issue price to be determined by way of book-building ("Placement Price"), subject to applicable clawback and reallocation provisions ("Private Placement");
- (vi) restricted offer for sale of the Vendors' rights of allotment of up to 150,000,000 Consideration Shares to Identified Investors at an offer price to be determined by way of book-building that is identical to the issue price of the Placement Shares, subject to applicable clawback and reallocation provisions ("Vendors' Restricted Offer for Sale");
- (vii) issuance of up to 172,000,000 New Shares ("Bumiputera Shares") to Bumiputera investor(s) approved by the Ministry of International Trade and Industry of Malaysia at an issue price that is identical to the issue price of the Placement Shares, subject to applicable clawback and reallocation provisions ("Bumiputera Issue");
- (viii) additional renunciation by the Vendors of the Vendors' rights of allotment of such number of Consideration Shares to be renounced/offered in favour of the then existing shareholders of GW Plastics who each holds less than 100 New Shares after the completion of the Consolidation, the Acquisition and the Renunciation of Shares as at 5.00 p.m. on 11 March 2015 ("Additional Renunciation of Shares");



APPENDIX V PRO FORMA FINANCIAL INFORMATION OF OUR COMPANY FOR FPE 31 MARCH 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

- (ix) restricted offer for sale of the Vendors rights of allotment of up to 7,500,000 Consideration Shares ("Shareholder Offer Shares") to the then existing shareholders of GW Plastics as at 5.00 p.m. on 11 March 2015, on the basis of entitlement determined by the Board at an offer price of RM1.30 per Shareholder Offer Share ("Offer Price") payable in full upon application and subject to refund of the difference in the event that the final offer price is less than the Offer Price. The final offer price will be equal to the Placement Price ("Vendors' Restricted Offer for Sale to Shareholders");
- (x) increase in the authorised share capital of GW Plastics from RM300,000,000 to RM2,500,000,000 ("IASC");
- (xi) amendments to the Memorandum and Articles of Association of GW Plastics ("Amendments"); and
- (xii) change of GW Plastics' name from "GW Plastics Holdings Berhad" to "MCT Bhd" ("Change of Name").

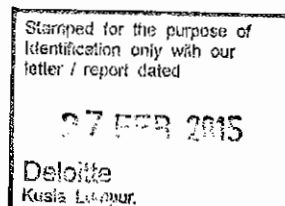
The Exemption, Renunciation of Shares, Vendors' Restricted Offer for Sale, Additional Renunciation of Shares, Vendors' Restricted Offer for Sale to Shareholders, IASC, Amendments and Change of Name will not have any effect on the pro forma financial information of GW Plastics as at 31 March 2014.

1.5 Enlarged MCT Group

The Enlarged MCT Group comprises the companies listed below. The audited financial statements used in the preparation of the pro forma financial information are also listed below.

No	Entity	Latest available audited financial statements	Accounting framework
1.	MCT Consortium Bhd and its then existing subsidiaries	30 June 2014	FRS
2.	Ecolake Residence Sdn Bhd*	30 June 2014	MFRS
3.	Leisure Event Sdn Bhd*	30 June 2014	MFRS
4.	MCT Properties Sdn Bhd (formerly known as MCT Property.Com Sdn Bhd)*	31 March 2014	MFRS
5.	MCT Property Management Sdn Bhd (formerly known as Leisure K Sdn Bhd)*	30 June 2014	MFRS
6.	MCT Store Sdn Bhd (formerly known as Stripes Café Sdn Bhd)*	31 March 2014	MFRS
7.	Premium Cinema Sdn Bhd*	30 June 2014	MFRS
8.	Roaring Gain Sdn Bhd	30 June 2014	MFRS
9.	Skypark Fitness Sdn Bhd*	30 June 2014	MFRS
10.	Solid Interest Sdn Bhd*	30 June 2014	MFRS
11.	Solid Recommendation Sdn Bhd	30 June 2014	MFRS
12.	Timeless Hectares Sdn Bhd	30 June 2014	MFRS

* MCT Consortium Bhd acquired the entire equity interest of these entities at the date of the execution of the supplemental letter agreement to the reorganisation agreement dated 10 March 2015 (as amended and supplemented by a supplemental letter agreement dated 22 September 2014) entered into between the Vendors, MCT Consortium, B&G Capital Resources Berhad and Dato' Goh Meng Keong pursuant to the reorganisation exercise.



APPENDIX V PRO FORMA FINANCIAL INFORMATION OF OUR COMPANY FOR FPE 31 MARCH 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

Minimum Scenario

	Audited as at 31.3.2014 RM	Adjustment for Pro Forma I RM	Adjustment for Pro Forma II RM	Pro Forma II After Pro Consolidation RM	Adjustment for Pro Forma III RM	Pro Forma III After Pro Acquisition RM	Adjustment for Pro Forma IV RM	Pro Forma IV After Pro Placement and Bumiputera Issue RM	Adjustment for Pro Forma V RM	Pro Forma V After Pro conversion of ICIJLS RM
ASSETS										
Non-Current Assets										
Property, plant and equipment	-	-	-	-	137,986,052	137,986,052	-	137,986,052	-	137,986,052
Investment properties	-	-	-	-	387,559,335	387,559,335	130,000,000	517,559,335	-	517,559,335
Land held for property development	-	-	-	-	35,700,000	35,700,000	-	35,700,000	-	35,700,000
Available-for-sale investments	-	-	-	-	231,549	231,549	-	231,549	-	231,549
Goodwill on consolidation	-	-	-	-	3,272,290	3,272,290	-	3,272,290	-	3,272,290
Total Non-Current Assets	-	-	-	-	<u>564,749,226</u>	<u>564,749,226</u>	-	<u>694,749,226</u>	-	<u>694,749,226</u>
Current Assets										
Inventories	-	-	-	-	138,271	138,271	-	138,271	-	138,271
Property development costs	-	-	-	-	1,012,111,875	1,012,111,875	50,000,000	1,062,111,875	-	1,062,111,875
Accrued billings	-	-	-	-	14,057,820	14,057,820	-	14,057,820	-	14,057,820
Amount due from contract customers	-	-	-	-	3,975,384	3,975,384	-	3,975,384	-	3,975,384
Trade receivables	-	-	-	-	57,280,990	57,280,990	-	57,280,990	-	57,280,990
Other receivables and deposits	1,948,627	-	1,948,627	1,948,627	43,134,906	45,134,906	-	45,134,906	-	45,134,906
Tax recoverable	8,317	-	8,317	8,317	1,894,332	1,902,649	-	1,902,649	-	1,902,649
Deposits with licensed banks	-	-	-	-	16,967,227	16,967,227	-	16,967,227	-	16,967,227
Cash and bank balances	5,858,970	(1,885,000)	3,973,970	3,973,970	86,132,955	90,106,925	15,700,000	105,806,925	-	105,806,925
Total Current Assets	<u>7,815,914</u>	<u>5,930,914</u>	<u>5,930,914</u>	<u>5,930,914</u>	<u>1,241,676,047</u>	<u>1,241,676,047</u>	-	<u>1,307,376,047</u>	-	<u>1,307,376,047</u>
Total Assets	<u>7,815,914</u>	<u>5,930,914</u>	<u>5,930,914</u>	<u>5,930,914</u>	<u>1,806,425,273</u>	<u>1,806,425,273</u>	-	<u>2,002,125,273</u>	-	<u>2,002,125,273</u>

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APPENDIX V PRO FORMA FINANCIAL INFORMATION OF OUR COMPANY FOR FPE 31 MARCH 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Minimum Scenario

	Audited as at 31.3.2014 RM	Adjustment for Pro Forma I RM	Adjustment for Pro Forma I RM	Pro Forma I RM	Adjustment for Pro Forma II RM	Pro Forma II After Pro Forma I Consolidation RM	Adjustment for Pro Forma III RM	Pro Forma III After Pro Forma II Acquisition RM	Pro Forma III RM	Adjustment for Pro Forma IV RM	Pro Forma IV After Private Placement and Bumiputera Issue RM	Adjustment for Pro Forma V RM	Pro Forma V After Pro Forma IV and full conversion of ICULS RM
EQUITY AND LIABILITIES													
Shareholders' equity													
Share capital	2,356,250	-	2,356,250	-	2,356,250	2,356,250	1,034,777,119	1,034,777,119	300,000,000	1,334,777,119	122,218,357	1,456,995,476	
Share premium	96,954	-	96,954	-	96,954	96,954	96,954	96,954	-	96,954	-	96,954	
ICULS	-	-	-	-	-	-	122,218,357	122,218,357	-	122,218,357	(122,218,357)	-	
Retained earnings	4,993,090	(1,855,000)	3,108,090	-	3,108,090	3,108,090	16,541,341	19,649,431	(10,300,000)	9,349,431	-	9,349,431	
Total Equity	7,446,294		5,561,294		5,561,294	5,561,294	1,176,741,861	1,176,741,861		1,466,441,861		1,466,441,861	
Non-Current Liabilities													
Borrowings	-	-	-	-	-	-	172,056,353	172,056,353	(94,000,000)	78,056,353	-	78,056,353	
Hire purchase payables	-	-	-	-	-	-	3,521,805	3,521,805	-	3,521,805	-	3,521,805	
Deferred tax liabilities	-	-	-	-	-	-	161,960,128	161,960,128	-	161,960,128	-	161,960,128	
Total Non-Current Liabilities							337,538,286	337,538,286		243,538,286		243,538,286	
Current Liabilities													
Progress billings	-	-	-	-	-	-	26,679,784	26,679,784	-	26,679,784	-	26,679,784	
Trade payables	-	-	-	-	-	-	70,533,266	70,533,266	-	70,533,266	-	70,533,266	
Other payables and accrued expenses	369,620	-	369,620	-	369,620	369,620	99,939,820	100,309,440	-	100,309,440	-	100,309,440	
Borrowings	-	-	-	-	-	-	54,732,845	54,732,845	-	54,732,845	-	54,732,845	
Hire purchase payables	-	-	-	-	-	-	2,166,495	2,166,495	-	2,166,495	-	2,166,495	
Tax liabilities	-	-	-	-	-	-	37,903,296	37,903,296	-	37,903,296	-	37,903,296	
Total Current Liabilities	369,620		369,620		369,620	369,620	292,145,126	292,145,126		535,683,412		535,683,412	
Total Liabilities	369,620		369,620		369,620	369,620	629,683,412	629,683,412		2,002,125,273		2,002,125,273	
Total Equity and Liabilities	7,815,914		5,930,914		5,930,914	5,930,914	1,806,425,273	1,806,425,273		2,002,125,273		2,002,125,273	
Number of ordinary shares	235,625,000		235,625,000		235,625,000	235,625,000	1,034,777,119	1,034,777,119		1,334,777,119		1,456,995,476	
Net assets per ordinary share (RM)	0.03	0.02	2.36		2.36	2.36	1.14	1.14		1.10		1.01	
Par value per ordinary share (RM)	0.01	0.01	1.00		1.00	1.00	1.00	1.00		1.00		1.00	
Total borrowings (RM)	-	-	-		-	-	232,477,498	232,477,498		138,477,498		138,477,498	
Gearing (times)	-	-	-		-	-	0.20	0.20		0.09		0.09	

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27 FEB 2015

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APPENDIX V PRO FORMA FINANCIAL INFORMATION OF OUR COMPANY FOR FPE 31 MARCH 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Maximum Scenario

	Audited as at 31.3.2014 RM	Adjustment for Pro Forma I RM	Adjustment for Pro Forma II RM	Pro Forma II After Pro Forma I Consolidation RM	Adjustment for Pro Forma III RM	Pro Forma III After Pro Forma II Acquisition RM	Adjustment for Pro Forma IV RM	Pro Forma IV After Pro Forma III and Private Placement and Bumiputera Issue RM	Adjustment for Pro Forma V RM	Pro Forma V After Pro Forma IV and full conversion of ICULS RM
ASSETS										
Non-Current Assets										
Property, plant and equipment	-	-	137,986,052	-	137,986,052	137,986,052	-	137,986,052	-	137,986,052
Investment properties	-	-	387,559,335	-	387,559,335	387,559,335	169,000,000	556,559,335	-	556,559,335
Land held for property development	-	-	35,700,000	-	35,700,000	35,700,000	-	35,700,000	-	35,700,000
Available-for-sale investments	-	-	231,549	-	231,549	231,549	-	231,549	-	231,549
Goodwill on consolidation	-	-	3,272,290	-	3,272,290	3,272,290	-	3,272,290	-	3,272,290
Total Non-Current Assets	-	-	564,749,226	-	564,749,226	564,749,226	-	564,749,226	-	564,749,226
Current Assets										
Inventories	-	-	138,271	-	138,271	138,271	-	138,271	-	138,271
Property development costs	-	-	1,012,111,875	-	1,012,111,875	1,012,111,875	65,000,000	1,077,111,875	-	1,077,111,875
Accrued billings	-	-	14,057,820	-	14,057,820	14,057,820	-	14,057,820	-	14,057,820
Amount due from contract customers	-	-	3,975,384	-	3,975,384	3,975,384	-	3,975,384	-	3,975,384
Trade receivables	-	-	57,280,990	-	57,280,990	57,280,990	-	57,280,990	-	57,280,990
Other receivables and deposits	1,948,627	-	43,186,279	1,948,627	45,134,906	45,134,906	-	45,134,906	-	45,134,906
Tax recoverable	8,317	-	1,894,332	8,317	1,902,649	1,902,649	-	1,902,649	-	1,902,649
Deposits with licensed banks	-	-	16,967,227	-	16,967,227	16,967,227	-	16,967,227	-	16,967,227
Cash and bank balances	5,858,970	(1,885,000)	86,132,955	3,973,970	90,106,925	90,106,925	21,000,000	111,106,925	-	111,106,925
Total Current Assets	7,815,914	-	1,241,676,047	5,930,914	1,241,676,047	1,241,676,047	-	1,327,676,047	-	1,327,676,047
Total Assets	7,815,914	-	1,806,425,273	5,930,914	1,806,425,273	1,806,425,273	-	2,061,425,273	-	2,061,425,273

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APPENDIX V PRO FORMA FINANCIAL INFORMATION OF OUR COMPANY FOR FPE 31 MARCH 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Maximum Scenario

	Audited as at 31.3.2014 RM	Adjustment for Pro Forma I RM	Adjustment for Pro Forma II RM	Pro Forma II After Pro Forma I Consolidation RM	Adjustment for Pro Forma III RM	Pro Forma III After Pro Forma II Acquisition RM	Adjustment for Pro Forma IV RM	Pro Forma IV and Private Placement and Bumiputera Issue RM	Adjustment for Pro Forma V RM	Pro Forma V After Pro Forma IV conversion of ICULS RM
EQUITY AND LIABILITIES										
Shareholders' equity										
Share capital	2,356,250	-	2,356,250	2,356,250	1,034,777,119	1,034,777,119	300,000,000	1,334,777,119	122,218,357	1,456,995,476
Share premium	96,954	-	96,954	96,954	96,954	96,954	90,096,954	90,096,954	-	90,096,954
ICULS	-	-	-	-	122,218,357	122,218,357	-	122,218,357	(122,218,357)	-
Retained earnings	4,993,090	(1,885,000)	3,108,090	3,108,090	19,649,431	19,649,431	(13,000,000)	6,649,431	-	6,649,431
Total Equity	7,446,294		5,561,294	5,561,294	1,176,741,861	1,176,741,861		1,553,741,861		1,553,741,861
Non-Current Liabilities										
Borrowings	-	-	-	-	172,056,353	172,056,353	(122,000,000)	50,056,353	-	50,056,353
Hire purchase payables	-	-	-	-	3,521,805	3,521,805	-	3,521,805	-	3,521,805
Deferred tax liabilities	-	-	-	-	161,960,128	161,960,128	-	161,960,128	-	161,960,128
Total Non-Current Liabilities					337,538,286	337,538,286		215,538,286		215,538,286
Current Liabilities										
Progress billings	-	-	-	-	26,679,784	26,679,784	-	26,679,784	-	26,679,784
Trade payables	-	-	-	-	70,353,266	70,353,266	-	70,353,266	-	70,353,266
Other payables and accrued expenses	369,620	-	369,620	369,620	100,309,440	100,309,440	-	100,309,440	-	100,309,440
Borrowings	-	-	-	-	54,732,845	54,732,845	-	54,732,845	-	54,732,845
Hire purchase payables	-	-	-	-	2,166,495	2,166,495	-	2,166,495	-	2,166,495
Tax liabilities	-	-	-	-	37,903,296	37,903,296	-	37,903,296	-	37,903,296
Total Current Liabilities	369,620		369,620	369,620	292,145,126	292,145,126		292,145,126		292,145,126
Total Liabilities	369,620		369,620	369,620	629,683,412	629,683,412		507,683,412		507,683,412
Total Equity and Liabilities	7,815,914		5,930,914	5,930,914	1,806,425,273	1,806,425,273		2,061,425,273		2,061,425,273
Number of ordinary shares	235,625,000		235,625,000	235,625,000	1,034,777,119	1,034,777,119		1,334,777,119		1,456,995,476
Net assets per ordinary share (RM)	0.03		0.02	2.36	1.14	1.16		1.16		1.07
Par value per ordinary share (RM)	0.01		0.01	1.00	1.00	1.00		1.00		1.00
Total borrowings (RM)	-		-	-	232,477,498	232,477,498		110,477,498		110,477,498
Gearing (times)	-		-	-	0.20	0.20		0.07		0.07

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APPENDIX V PRO FORMA FINANCIAL INFORMATION OF OUR COMPANY FOR FPE 31 MARCH 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

2.1 Pro forma Adjustments to Pro forma Consolidated Statement of Financial Position

2.1.1 Pro forma I

Pro forma I incorporates adjustments relating to the significant event subsequent to 31 March 2014 as described in Note 1.3.

2.1.2 Pro forma II

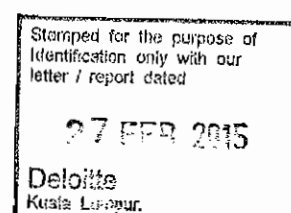
Pro forma II incorporates Pro forma I and the Consolidation.

2.1.3 Pro forma III

Pro forma III incorporates Pro forma II and the Acquisition.

The purchase consideration will be satisfied in the following manner:

- (a) issuance of 1,032,420,869 Consideration Shares at an issue price of RM1.00 per Consideration Share to the Vendors; and
- (b) issuance of RM122,218,357 nominal value of 30-month zero coupon ICULS to be issued at 100% of their nominal value to the Vendors.



APPENDIX V PRO FORMA FINANCIAL INFORMATION OF OUR COMPANY FOR FPE 31 MARCH 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

The fair values of the net assets acquired are derived based on the following:

	Net assets as at 30.6.2014 RM	Capital reduction RM	Proposed settlement of loans and advances RM	Revaluation surplus and related deferred tax liabilities RM	Disposal of associate RM	Adjusted net assets acquired RM
Property, plant and equipment	82,722,319	-	-	55,263,733	-	137,986,052
Investment properties	205,874,372	-	-	181,684,963	-	387,559,335
Land held for property development	32,544,917	-	-	3,155,083	-	35,700,000
Investment in associate	2,985,955	-	-	-	(2,985,955)	-
Available-for-sale investments	231,549	-	-	-	-	231,549
Goodwill on consolidation	3,272,290	-	-	-	-	3,272,290
Inventories	138,271	-	-	-	-	138,271
Property development costs	123,913,688	-	-	888,198,187	-	1,012,111,875
Accrued billings	14,057,820	-	-	-	-	14,057,820
Amount due from contract customers	3,975,384	-	-	-	-	3,975,384
Trade receivables	57,280,990	-	-	-	-	57,280,990
Other receivables and deposits	50,318,356	-	(7,132,077)	-	-	43,186,279
Tax recoverable	1,894,332	-	-	-	-	1,894,332
Deposits with licensed banks	16,967,227	-	-	-	-	16,967,227
Cash and bank balances	86,040,928	(2,907,973)	-	-	3,000,000	86,132,955
Borrowings - non current	(172,056,353)	-	-	-	-	(172,056,353)
Hire purchase payables - non current	(3,521,805)	-	-	-	-	(3,521,805)
Deferred tax liabilities	-	-	-	(161,960,128)	-	(161,960,128)
Progress billings	(26,679,784)	-	-	-	-	(26,679,784)
Trade payables	(70,353,266)	-	-	-	-	(70,353,266)
Other payables and accrued expenses	(128,618,454)	-	28,678,634	-	-	(99,939,820)
Borrowings - current	(54,732,845)	-	-	-	-	(54,732,845)
Hire purchase payables - current	(2,166,495)	-	-	-	-	(2,166,495)
Tax liabilities	(37,903,296)	-	-	-	-	(37,903,296)
Net Assets	186,186,100	(2,907,973)	21,546,557	966,341,838	14,045	1,171,180,567

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APPENDIX V PRO FORMA FINANCIAL INFORMATION OF OUR COMPANY FOR FPE 31 MARCH 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

2.1.4 Pro forma IV

Pro forma IV incorporates Pro forma III, the Private Placement, Bumiputera Issue and proposed utilisation of proceeds.

Minimum Scenario

Assuming that the Placement Price is RM1.00 per share and the 300 million Placement Shares and Bumiputera Shares are issued collectively, the Company is expected to raise gross proceeds of RM300,000,000.

Maximum Scenario

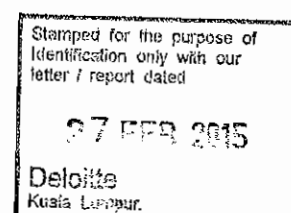
Assuming that the Placement Price is RM1.30 per share and the 300 million Placement Shares and Bumiputera Shares are issued collectively, the Company is expected to raise gross proceeds of RM390,000,000.

The proposed utilisation of proceeds is as follows:

	Minimum Scenario RM	Maximum Scenario RM
(a) Capital expenditure for investment properties	130,000,000	169,000,000
(b) Capital expenditure for property development projects	50,000,000	65,000,000
(c) Repayment of borrowings	94,000,000	122,000,000
(d) General working capital	15,700,000	21,000,000
(e) Estimated expenses in relation to the Regularisation Plan	10,300,000	13,000,000
	<u>300,000,000</u>	<u>390,000,000</u>

2.1.5 Pro forma V

Pro forma V incorporates Pro forma IV and the exercise of ICULS.



APPENDIX V PRO FORMA FINANCIAL INFORMATION OF OUR COMPANY FOR FPE 31 MARCH 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

2.2 Notes to Pro forma Consolidated Statement of Financial Position

2.2.1 Share Capital and Reserves

Minimum Scenario

	Share capital RM	Share premium RM	ICULS RM	Retained earnings RM	Total equity RM
Audited consolidated statement of financial position as at 31 March 2014	2,356,250	96,954	-	4,993,090	7,446,294
Arising from significant event subsequent to 31 March 2014	-	-	-	(1,885,000)	(1,885,000)
Proforma I Arising from the Consolidation	2,356,250	96,954	-	3,108,090	5,561,294
Pro forma II Arising from the Acquisition	2,356,250	96,954	-	3,108,090	5,561,294
	1,032,420,869	-	122,218,357	16,541,341	1,171,180,567
Pro forma III Arising from the Private Placement, Bumiputera Issue and proposed utilisation of proceeds	1,034,777,119	96,954	122,218,357	19,649,431	1,176,741,861
	300,000,000	-	-	(10,300,000)	289,700,000
Pro forma IV Arising from the exercise of ICULS	1,334,777,119	96,954	122,218,357	9,349,431	1,466,441,861
	122,218,357	-	(122,218,357)	-	-
Pro forma V	1,456,995,476	96,954	-	9,349,431	1,466,441,861

APPENDIX V PRO FORMA FINANCIAL INFORMATION OF OUR COMPANY FOR FPE 31 MARCH 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Maximum Scenario

Audited consolidated statement of financial position as at

31 March 2014

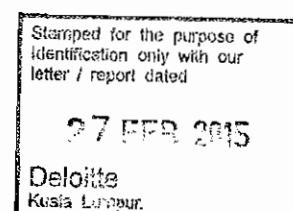
Arising from significant event subsequent to 31 March 2014

	Share capital RM	Share premium RM	ICULS RM	Retained earnings RM	Total equity RM
	2,356,250	96,954	-	4,993,090	7,446,294
	-	-	-	(1,885,000)	(1,885,000)
Proforma I Arising from the Consolidation	2,356,250	96,954	-	3,108,090	5,561,294
	-	-	-	-	-
Pro forma II Arising from the Acquisition	2,356,250	96,954	-	3,108,090	5,561,294
	1,032,420,869	-	122,218,357	16,541,341	1,171,180,567
Pro forma III Arising from the Private Placement, Bumiputera Issue and proposed utilisation of proceeds	1,034,777,119	96,954	122,218,357	19,649,431	1,176,741,861
	300,000,000	90,000,000	-	(13,000,000)	377,000,000
Pro forma IV Arising from the exercise of ICULS	1,334,777,119	90,096,954	122,218,357	6,649,431	1,553,741,861
	122,218,357	-	(122,218,357)	-	-
Pro forma V	1,456,995,476	90,096,954	-	6,649,431	1,553,741,861

APPENDIX V PRO FORMA FINANCIAL INFORMATION OF OUR COMPANY FOR FPE 31 MARCH 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

2.2.2 Cash and Cash Bank Balances

	Minimum Scenario RM	Maximum Scenario RM
Audited consolidated statement of financial position as at 31 March 2014	5,858,970	5,858,970
Arising from significant event subsequent to 31 March 2014	<u>(1,885,000)</u>	<u>(1,885,000)</u>
Proforma I Arising from the Consolidation	<u>3,973,970</u> -	<u>3,973,970</u> -
Pro forma II Arising from the Acquisition	<u>3,973,970</u> <u>86,132,955</u>	<u>3,973,970</u> <u>86,132,955</u>
Pro forma III Arising from the Private Placement, Bumiputera Issue and proposed utilisation of proceeds	<u>90,106,925</u> <u>15,700,000</u>	<u>90,106,925</u> <u>21,000,000</u>
Pro forma IV Arising from the exercise of ICULS	<u>105,806,925</u> -	<u>111,106,925</u> -
Pro forma V	<u>105,806,925</u>	<u>111,106,925</u>



APPENDIX V PRO FORMA FINANCIAL INFORMATION OF OUR COMPANY FOR FPE 31 MARCH 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD 1 JANUARY 2014 TO 31 MARCH 2014

PRO FORMA GROUP	Minimum Scenario RM	Maximum Scenario RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	86,639,256	83,939,256
Adjustments for:		
Depreciation of:		
Property, plant and equipment	4,725,576	4,725,576
Investment properties	65,579	65,579
Finance costs	2,948,207	2,948,207
Provision for liquidated damages	1,343,322	1,343,322
Property, plant and equipment written off	41,328	41,328
Interest income	(1,262,018)	(1,262,018)
Share of results of associate	(22,304)	(22,304)
Gain on disposal of associate	(14,045)	(14,045)
Operating Profit Before Working Capital Changes	94,464,901	91,764,901
(Increase)/Decrease in:		
Inventories	(138,271)	(138,271)
Property development costs	30,547,799	15,547,799
Accrued billings	(14,057,820)	(14,057,820)
Amount due from contract customers	65,614,552	65,614,552
Trade receivables	(38,607,248)	(38,607,248)
Other receivables and deposits	(30,570,844)	(30,570,844)
Increase/(Decrease) in:		
Progress billings	14,592,059	14,592,059
Amount due to contract customers	(42,060,046)	(42,060,046)
Trade payables	11,989,451	11,989,451
Other payables and accrued expenses	57,847,018	57,847,018
Cash Generated From Operations	149,621,551	131,921,551
Interest received	560,269	560,269
Income tax paid	(18,355,446)	(18,355,446)
Net Cash From Operating Activities	131,826,374	114,126,374
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Proceeds from disposal of associate	3,000,000	3,000,000
Interest income received	701,749	701,749
Capital repayments	(143,731,250)	(143,731,250)
Additions to:		
Property, plant and equipment	(29,147,171)	(29,147,171)
Investment properties	(275,123,460)	(314,123,460)
Land held for property development	(32,446,212)	(32,446,212)
Available-for-sale financial investments	(5,202)	(5,202)
Increase in fixed deposits pledged with licensed banks	(2,870,592)	(2,870,592)
Net Cash Used In Investing Activities	(479,622,138)	(518,622,138)

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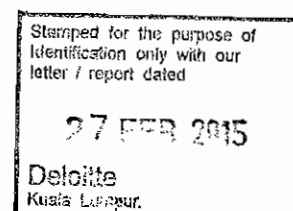
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APPENDIX V PRO FORMA FINANCIAL INFORMATION OF OUR COMPANY FOR FPE 31 MARCH 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

PRO FORMA GROUP	Minimum Scenario RM	Maximum Scenario RM
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from issue of shares pursuant to Private Placement and Bumiputera Issue	300,000,000	390,000,000
Drawdown of term loans	147,128,920	147,128,920
Repayment of:		
Term loans	(155,257,998)	(183,257,998)
Hire-purchase payables	(2,524,185)	(2,524,185)
Finance costs paid	(9,626,950)	(9,626,950)
Dividend paid	(1,885,000)	(1,885,000)
Payments pursuant to capital reduction exercises of Enlarged MCT Group	(2,907,973)	(2,907,973)
Net Cash From Financing Activities	274,926,814	336,926,814
NET DECREASE IN CASH AND CASH EQUIVALENTS	(72,868,950)	(67,568,950)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	180,812,705	180,812,705
CASH AND CASH EQUIVALENTS AT END OF PERIOD	107,943,755	113,243,755

Cash and cash equivalents consist of:

PRO FORMA GROUP	Minimum Scenario RM	Maximum Scenario RM
Fixed deposits with licensed banks	16,967,227	16,967,227
Cash and bank balances	105,806,925	111,106,925
	122,774,152	128,074,152
Less: Fixed deposits pledged with licensed banks	(14,266,847)	(14,266,847)
Less: Bank overdrafts	(563,550)	(563,550)
	107,943,755	113,243,755





ACCOUNTANTS’ REPORT

(Prepared for inclusion in the Prospectus of
GW Plastics Holdings Berhad dated 11 March 2015)

27 February 2015

The Board of Directors
GW Plastics Holdings Berhad
Level 7, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights, 50490 Kuala Lumpur

Dear Sirs,

ACCOUNTANTS’ REPORT

1. Purpose of Report

This report has been prepared by Messrs. Deloitte, an approved company auditor, for inclusion in the Prospectus of GW Plastics Holdings Berhad (“**GW Plastics**”) in relation to the (i) Renunciation of Shares (as hereinafter defined), (ii) Additional Free Shares (as hereinafter defined) and (iii) Vendors’ Restricted Offer for Sale (as hereinafter defined).

The Renunciation of Shares, Additional Free Shares and Vendors’ Restricted Offer for Sale form part of the regularisation plan of GW Plastics. For further details of the regularisation plan of GW Plastics, please refer to Section 3.4 of this report.

2. Abbreviations

Unless the context otherwise requires, the following definitions shall apply throughout this report.

Acquisition	Acquisition by GW Plastics of the entire issued and paid-up share capital of MCT after the completion of the Reorganisation Exercise from the Vendors at the Purchase Consideration, upon the terms and conditions of the SSA
Act	Companies Act, 1965 in Malaysia
B&G Capital	B&G Capital Resources Berhad
Board	Board of Directors of GW Plastics
Capital Reduction	Capital reduction exercise involving a reduction of the share capital and/or share premium reserve (if applicable) of the relevant companies via cancellation of their respective entire issued and paid-up share capital, which shall require confirmation by the High Court in accordance with Sections 60(2) and/or 64 of the Act



Capital Repayment	Capital repayment exercise involving the distribution of cash proceeds arising from the Capital Reduction to the existing shareholders of the relevant companies in accordance with the terms of the Reorganisation Agreement
CMSA	Capital Markets and Services Act 2007 of Malaysia
Code	Malaysian Code on Take-Overs and Mergers 2010
Consideration Shares	New Shares to be issued by GW Plastics as part of the Purchase Consideration
Consolidation	Consolidation of the existing issued and paid-up share capital of GW Plastics comprising 235,625,000 ordinary shares of RM0.01 each into 2,356,250 New Shares on the basis of the consolidation of every 100 ordinary shares of RM0.01 each into one New Share
Dato' Danny Goh	Dato' Goh Meng Keong
Dato' Sri Tong	Dato' Sri Tong Seech Wi
Distribution	Collectively, the Capital Reduction and Capital Repayment
Enlarged GW Plastics Group	Collectively, GW Plastics and Enlarged MCT Group
Enlarged MCT Group	Collectively, the MCT Consortium Group and the Private Entities following the completion of the Reorganisation Exercise
FPE	Financial period ended
FRS	Financial Reporting Standards issued by the Malaysian Accounting Standards Board
FYE	Financial year ended
GW Plastics	GW Plastics Holdings Berhad
MCT Consortium	MCT Consortium Bhd
MCT Consortium Group	Collectively, MCT Consortium and its subsidiaries
MCT Consortium Shares	Ordinary shares of RM1 each in MCT Consortium
New Share	Ordinary share of RM1 each in GW Plastics after the Consolidation
PAC	Parties acting in concert with the Vendors, their directors and substantial shareholders and any other persons falling within the definition of Sections 216(2) and 216(3) of the CMSA for the purposes of the Code



PN 17	Practice Note 17
Private Entities	The private entities whose shares are held by the Vendors and Dato’ Danny Goh
Purchase Consideration	Being the purchase consideration payable by GW Plastics to the Vendors in relation to the Acquisition for an aggregate purchase consideration of RM1,154,639,226
Reorganisation Agreement	Reorganisation agreement dated 10 March 2014 (as amended and supplemented by a supplemental letter agreement dated 22 September 2014) entered into between the Vendors, MCT Consortium, B&G Capital and Dato’ Danny Goh in respect of the Reorganisation Exercise
Reorganisation Exercise	Reorganisation exercise to be undertaken by the Vendors, MCT Consortium, B&G Capital, Dato’ Danny Goh and certain Private Entities as a condition precedent to the completion of the Acquisition
SC	Securities Commission Malaysia
SSA	Share Sale Agreement dated 8 January 2014 (as amended and supplemented by a Supplemental Agreement dated 24 July 2014, a Supplemental Letter dated 10 November 2014 and a Second Supplemental Agreement dated 8 December 2014) entered into between GW Plastics and the Vendors for the Acquisition
Tan Sri Barry	Tan Sri Dato’ Sri Goh Ming Choon
Vendors	Collectively, Tan Sri Barry and Dato’ Sri Tong
MCT Consortium Group	
MCT Consortium	MCT Consortium Bhd, a subsidiary of B&G Capital (65%) and Dato’ Sri Tong (35%)
CP	Cherish Properties Sdn Bhd, a wholly-owned subsidiary of MCT Consortium
ECH	Ecity Hotel Sdn Bhd, a wholly-owned subsidiary of MCT Consortium
EGC	Eco Green City Sdn Bhd, a wholly-owned subsidiary of MCT Consortium
ER	Ecolake Residence Sdn Bhd, (as at the date of the execution of the supplemental letter agreement to the Reorganisation Agreement)



LE	Leisure Event Sdn Bhd, a wholly-owned subsidiary of MCT Consortium (as at the date of the execution of the supplemental letter agreement to the Reorganisation Agreement)
LFR	Lakefront Residence Sdn Bhd, a wholly-owned subsidiary of MCT Consortium
MCM	MCT Construction Materials Sdn Bhd, a wholly-owned subsidiary of MCT Consortium
MCTH	MCT Homes Sdn Bhd, a wholly-owned subsidiary of MCT Consortium
MCTPC	MCT Properties Sdn Bhd (<i>formerly known as MCT Property.com Sdn Bhd</i>), a wholly-owned subsidiary of MCT Consortium (as at the date of the execution of the supplemental letter agreement to the Reorganisation Agreement)
MCTPM	MCT Property Management Sdn Bhd (<i>formerly known as Leisure K Sdn Bhd</i>), a wholly-owned subsidiary of MCT Consortium (as at the date of the execution of the supplemental letter agreement to the Reorganisation Agreement)
MCTS	MCT Store Sdn Bhd (<i>formerly known as Stripes Café Sdn Bhd</i>), a wholly-owned subsidiary of MCT Consortium (as at the date of the execution of the supplemental letter agreement to the Reorganisation Agreement)
MDCT	Modular Construction Technology Sdn Bhd, a wholly-owned subsidiary of MCT Consortium
MGT	MCT Green Technology Sdn Bhd, a wholly-owned subsidiary of MCT Consortium
OCD	One City Development Sdn Bhd, a wholly-owned subsidiary of MCT Consortium
OCP	One City Properties Sdn Bhd, a wholly-owned subsidiary of OCD
OR	One Residence Sdn Bhd, a wholly-owned subsidiary of MCT Consortium
PC	Premium Cinema Sdn Bhd, a wholly-owned subsidiary of MCT Consortium (as at the date of the execution of the supplemental letter agreement to the Reorganisation Agreement)
SB	Solid Benefit Sdn Bhd, a wholly-owned subsidiary of MCT Consortium



SF	Skypark Fitness Sdn Bhd, a wholly-owned subsidiary of MCT Consortium (as at the date of the execution of the supplemental letter agreement to the Reorganisation Agreement)
SI	Solid Interest Sdn Bhd, a wholly-owned subsidiary of MCT Consortium (as at the date of the execution of the supplemental letter agreement to the Reorganisation Agreement)
SPP	Sky Park Properties Sdn Bhd, a wholly-owned subsidiary of MCT Consortium
SUR	Subang Residency Sdn Bhd, a wholly-owned subsidiary of MCT Consortium
TPP	The Place Properties Sdn Bhd, a wholly-owned subsidiary of MCT Consortium
UC	Undersea City Sdn Bhd, a 70% owned subsidiary of MCT Consortium
UOA	USJ One Avenue Sdn Bhd, a wholly-owned subsidiary of MCT Consortium
VGD	Vista Global Development Sdn Bhd, a wholly-owned subsidiary of CP
Private Entities	
RG	Roaring Gain Sdn Bhd, owned by Tan Sri Barry (35%), Dato’ Sri Tong (35%) and Dato’ Danny Goh (30%)
SOR	Solid Recommendation Sdn Bhd, owned by Tan Sri Barry (35%), Dato’ Sri Tong (35%) and Dato’ Danny Goh (30%)
TH	Timeless Hectares Sdn Bhd, owned by Tan Sri Barry (35%), Dato’ Sri Tong (35%) and Dato’ Danny Goh (30%)

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3. General Information

3.1 Corporate Information

(a) MCT Consortium

MCT Consortium was incorporated in Malaysia under the Act on 3 December 2004 as a private limited company and was subsequently converted to a public company on 20 March 2006. The principal activity of MCT Consortium is that of investment holding.

(b) Subsidiaries of MCT Consortium and Private Entities

The details of the subsidiaries of MCT Consortium and Private Entities are disclosed in Section 3.3.

3.2 Share Capital

(a) MCT Consortium

(i) Authorised Share Capital

Details of the changes in the authorised share capital of MCT Consortium since incorporation are as follows:

	No. of ordinary shares	Par Value RM	Total RM
3 December 2004 (date of incorporation)	100,000	1	100,000
1 March 2006	10,000,000 ¹	1	10,000,000
2 April 2007	25,000,000 ²	1	25,000,000

¹ 9,900,000 ordinary shares of RM1 each were created.

² 15,000,000 ordinary shares of RM1 each were created.



(ii) **Issued And Paid-Up Share Capital**

Details of the changes in the issued and paid-up share capital of MCT Consortium since incorporation are as follows:

	No. of ordinary shares	Par value RM	Total RM
3 December 2004 (date of incorporation)	100	1	100
1 March 2006	5,000,000 ¹	1	5,000,000
2 March 2006	7,000,000 ²	1	7,000,000
2 April 2007	18,600,000 ³	1	18,600,000

¹ 4,999,900 ordinary shares of RM1 each were allotted.

² 2,000,000 ordinary shares of RM1 each were allotted.

³ 11,600,000 ordinary shares of RM1 each were allotted.

(b) **Subsidiaries of MCT Consortium and Private Entities**

The details of authorised and issued and paid-up share capital of the subsidiaries of MCT Consortium and Private Entities are disclosed in Section 3.3.

APPENDIX VI – ACCOUNTANTS' REPORT (CONT'D)

3.3 Subsidiaries of MCT Consortium and Private Entities

Name of company	Country of incorporation	Date of incorporation	Authorised share capital		Issued and paid-up share capital		Principal activities
			No. of shares	RM	No. of shares	RM	
Subsidiaries of MCT Consortium							
CP	Malaysia	16 August 2013	400,000	400,000	100	100	Investment holding
ECH	Malaysia	27 July 2010	10,000,000	10,000,000	6,000,000	6,000,000	Operations in the hoteling and operating a fitness center and cinema cum seminar facility
EGC	Malaysia	19 June 2008	100,000	100,000	10,000	10,000	Property development
ER *	Malaysia	28 July 2010	100,000	100,000	3	3	Dormant
LE *	Malaysia	27 July 2010	500,000	500,000	500,000	500,000	Property investment
LFR	Malaysia	28 February 2011	1,000,000	1,000,000	500,000	500,000	Property development
MCM	Malaysia	6 December 2001	1,000,000	1,000,000	800,000	800,000	Trading of construction materials
MCTH	Malaysia	29 March 2004	500,000	500,000	250,000	250,000	Provision of management services
MCTPC *	Malaysia	15 December 2005	100,000	100,000	2	2	Dormant
MCTPM *	Malaysia	27 July 2010	100,000	100,000	3	3	Dormant
MCTS*	Malaysia	28 August 2008	100,000	100,000	100,000	100,000	Dormant

APPENDIX VI – ACCOUNTANTS' REPORT (CONT'D)

Name of company	Country of incorporation	Date of incorporation	Authorised share capital		Issued and paid-up share capital		Principal activities
			No. of shares	RM	No. of shares	RM	
MDCT	Malaysia	12 November 1996	10,000,000	10,000,000	5,000,000	5,000,000	Construction, providing civil and mechanical engineering and electrical works
MGT	Malaysia	31 March 2010	5,000,000	5,000,000	5,000,000	5,000,000	Utilities services provider
OCD	Malaysia	16 January 2008	25,000,000	25,000,000	13,550,000	13,550,000	Property development and investment
OCP	Malaysia	31 August 2007	5,000,000	5,000,000	3,500,000	3,500,000	Property development, investment and management
OR	Malaysia	12 January 2015	400,000	400,000	2	2	Dormant
PC *	Malaysia	25 January 2011	100,000	100,000	3	3	Dormant
SB	Malaysia	9 December 2004	500,000	500,000	500,000	500,000	Property investment and property development
SF *	Malaysia	28 July 2010	100,000	100,000	3	3	Dormant
SI *	Malaysia	30 July 2010	400,000	400,000	100,000	100,000	Property investment and property development
SPP	Malaysia	18 March 2010	5,000,000	5,000,000	5,000,000	5,000,000	Property development
SUR	Malaysia	21 July 2006	100,000	100,000	100	100	Dormant
TPP	Malaysia	31 October 2008	500,000	500,000	500,000	500,000	Property development and management

APPENDIX VI – ACCOUNTANTS' REPORT (CONT'D)

Name of company	Country of incorporation	Date of incorporation	Authorised share capital		Issued and paid-up share capital		Principal activities
			No. of shares	RM	No. of shares	RM	
UC	Malaysia	15 May 2007	1,000,000	1,000,000	1,000,000	1,000,000	Property development
UOA	Malaysia	26 April 2004	1,000,000	1,000,000	1,000,000	1,000,000	Previously involved in property development and investment in property and management services and currently dormant.
VGD	Malaysia	26 August 2013	5,000,000	5,000,000	5,000,000	5,000,000	Property development and investment

** a wholly-owned subsidiary of MCT Consortium (as at the date of the execution of the supplemental letter agreement to the Reorganisation Agreement)*

Private Entities

RG	Malaysia	5 March 2010	5,000,000	5,000,000	3,100,000	3,100,000	Property investment
SOR	Malaysia	30 March 2010	1,000,000	1,000,000	1,000,000	1,000,000	Property investment and property development
TH	Malaysia	15 November 2010	1,000,000	1,000,000	1,000,000	1,000,000	Property investment and property development

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3.4 Regularisation Plan

The regularisation plan of GW Plastics comprises the following corporate exercises:

- (i) consolidation of the existing issued and paid-up share capital of GW Plastics comprising 235,625,000 ordinary shares of RM0.01 each into 2,356,250 New Shares on the basis of the consolidation of every 100 ordinary shares of RM0.01 each into one New Share;
- (ii) acquisition by GW Plastics of the entire issued and paid-up share capital of MCT Consortium after the completion of the Reorganisation Exercise from the Vendors at the Purchase Consideration upon the terms and conditions of the SSA;
- (iii) exemption to be sought by the Vendors and PAC with them under Paragraph 16.1 of Practice Note 9 of the Code from the obligation to extend a mandatory offer under Part III of Paragraph 9 of the Code to holders of voting shares of GW Plastics to acquire all New Shares not already owned by the Vendors and PAC after the completion of the Acquisition;
- (iv) renunciation by the Vendors of the Vendors’ rights of allotment to 3,534,375 Consideration Shares (“**Free Shares**”), in favour of the entitled shareholders, on the basis of three Free Shares for every two New Shares held by the entitled shareholders as at 5.00 p.m. on 11 March 2015 (“**Renunciation of Shares**”);
- (v) private placement of up to 128,000,000 New Shares (“**Placement Shares**”) to selected investors who fall within the ambit of Schedule 6 and Schedule 7 of the CMSA to be identified later (“**Identified Investors**”) at an issue price to be determined by way of book-building (“**Placement Price**”), subject to applicable clawback and reallocation provisions (“**Private Placement**”);
- (vi) restricted offer for sale of the Vendors’ rights of allotment of up to 150,000,000 Consideration Shares to Identified Investors at an offer price to be determined by way of book-building that is identical to the issue price of the Placement Shares, subject to applicable clawback and reallocation provisions;
- (vii) issuance of up to 172,000,000 New Shares to Bumiputera investor(s) approved by the Ministry of International Trade and Industry of Malaysia at an issue price that is identical to the issue price of the Placement Shares, subject to applicable clawback and reallocation provisions;
- (viii) additional renunciation by the Vendors of the Vendors’ rights of allotment of such number of Consideration Shares to be renounced/offered in favour of the then existing shareholders of GW Plastics who each holds less than 100 New Shares after the completion of the Consolidation, the Acquisition and the Renunciation of Shares as at 5.00 p.m. on 11 March 2015;
- (ix) restricted offer for sale of the Vendors rights of allotment of up to 7,500,000 Consideration Shares (“**Shareholder Offer Shares**”) to the then existing shareholders of GW Plastics as at 5.00 p.m. on 11 March 2015, on the basis of entitlement determined by the Board at an offer price of RM1.30 per Shareholder Offer Share (“**Offer Price**”) payable in full upon application and subject to refund of the difference in the event that the final offer price is less than the Offer Price. The final offer price will be equal to the Placement Price;



- (x) increase in the authorised share capital of GW Plastics from RM300,000,000 to RM2,500,000,000;
- (xi) amendments to the Memorandum and Articles of Association of GW Plastics; and
- (xii) change of GW Plastics’ name from “GW Plastics Holdings Berhad” to “MCT Bhd”.

4. Audited Financial Statements and Auditors

The consolidated financial statements of MCT Consortium Group and the financial statements for the subsidiaries of MCT Consortium and the Private Entities for the past 2 relevant FYEs 30 June 2013 and 2012 have been prepared in accordance with Private Entity Reporting Standards in Malaysia.

The consolidated financial statements of MCT Consortium Group for the financial year ended 30 June 2014 have been prepared in accordance with Financial Reporting Standards in Malaysia while the financial statements of the Private Entities for the financial year ended 30 June 2014 have been prepared in accordance with Malaysian Financial Reporting Standards in Malaysia.

The audit report dates and auditors of the MCT Consortium Group, its subsidiaries and the Private Entities for the relevant financial period/years are as follows:

Entity	FPE/FYE	Auditors	Audit report date
MCT Consortium and its subsidiaries			
MCT	30 June 2012	Y. L. Chee & Co	12 December 2012
	30 June 2013	Y. L. Chee & Co	7 November 2013
	30 June 2014	Deloitte	29 December 2014
CP	16 August 2013 (date of incorporation) to 30 June 2014	Deloitte	29 December 2014
ECH	30 June 2012	Y. L. Chee & Co	4 October 2012
	30 June 2013	Y. L. Chee & Co	24 October 2013
	30 June 2014	Deloitte	29 December 2014
EGC	30 June 2012	Y. L. Chee & Co	5 October 2012
	30 June 2013	Y. L. Chee & Co	4 September 2013
	30 June 2014	Deloitte	29 December 2014
ER	30 June 2012	Y. L. Chee & Co	1 November 2012
	30 June 2013	Y. L. Chee & Co	2 September 2013
	30 June 2014	Deloitte	29 December 2014
LE	30 June 2012	Y. L. Chee & Co	7 December 2012
	30 June 2013	Y. L. Chee & Co	3 September 2013
	30 June 2014	Deloitte	29 December 2014
LFR	28 February 2011 (date of incorporation) to 30 June 2012	Y. L. Chee & Co	13 August 2012
	30 June 2013	Y. L. Chee & Co	20 September 2013
	30 June 2014	Deloitte	29 December 2014



Entity	FPE/FYE	Auditors	Audit report date
MCM	30 June 2012	Y. L. Chee & Co	7 November 2012
	30 June 2013	Y. L. Chee & Co	18 November 2013
	30 June 2014	Deloitte	29 December 2014
MCTH	30 June 2012	Y. L. Chee & Co	5 December 2012
	30 June 2013	Y. L. Chee & Co	21 August 2013
	30 June 2014	Deloitte	29 December 2014
MCTPC	31 December 2011*	Y. L. Chee & Co	13 February 2012
	31 December 2012*	Y. L. Chee & Co	11 June 2013
	31 December 2013*	Y. L. Chee & Co	28 May 2014
	1 January 2013 to 31 March 2014	Deloitte	21 July 2014
MCTPM	30 June 2012	Y. L. Chee & Co	28 November 2012
	30 June 2013	Y. L. Chee & Co	3 September 2013
	30 June 2014	Deloitte	29 December 2014
MCTS	31 December 2011*	Y. L. Chee & Co	5 May 2012
	31 December 2012*	Y. L. Chee & Co	7 March 2013
	31 December 2013*	Y. L. Chee & Co	22 April 2014
	1 January 2014 to 31 March 2014	Deloitte	21 July 2014
MDCT	30 June 2012	Y. L. Chee & Co	7 December 2012
	30 June 2013	Y. L. Chee & Co	7 November 2013
	30 June 2014	Deloitte	29 December 2014
MGT	30 June 2012	Y. L. Chee & Co	5 October 2012
	30 June 2013	Y. L. Chee & Co	28 October 2013
	30 June 2014	Deloitte	29 December 2014
OCD	30 June 2012	Y. L. Chee & Co	5 December 2012
	30 June 2013	Y. L. Chee & Co	2 October 2013
	30 June 2014	Deloitte	29 December 2014
OCP	30 June 2012	Y. L. Chee & Co	9 November 2012
	30 June 2013	Y. L. Chee & Co	7 November 2013
	30 June 2014	Deloitte	29 December 2014
PC	30 June 2012	Y. L. Chee & Co	12 September 2012
	30 June 2013	Y. L. Chee & Co	12 September 2013
	30 June 2014	Deloitte	29 December 2014
SB	30 June 2012	Y. L. Chee & Co	3 December 2012
	30 June 2013	Y. L. Chee & Co	3 October 2013
	30 June 2014	Deloitte	29 December 2014
SF	30 June 2012*	Y. L. Chee & Co	27 September 2012
	30 June 2013*	Y. L. Chee & Co	3 September 2013
	30 June 2014	Deloitte	29 December 2014



Entity	FPE/FYE	Auditors	Audit report date
SI	30 June 2012	Y. L. Chee & Co	28 November 2012
	30 June 2013	Y. L. Chee & Co	28 October 2013
	30 June 2014	Deloitte	29 December 2014
SPP	30 June 2012	Y. L. Chee & Co	26 November 2012
	30 June 2013	Y. L. Chee & Co	7 November 2013
	30 June 2014	Deloitte	29 December 2014
SUR	30 June 2012	Y. L. Chee & Co	7 December 2012
	30 June 2013	Y. L. Chee & Co	4 September 2013
	30 June 2014	Deloitte	29 December 2014
TPP	30 June 2012	Y. L. Chee & Co	8 October 2012
	30 June 2013	Y. L. Chee & Co	7 November 2013
	30 June 2014	Deloitte	29 December 2014
UC	30 June 2012	Y. L. Chee & Co	9 October 2012
	30 June 2013	Y. L. Chee & Co	2 September 2013
	30 June 2014	Deloitte	29 December 2014
UOA	30 June 2012	Y. L. Chee & Co	8 November 2012
	30 June 2013	Y. L. Chee & Co	7 November 2013
	30 June 2014	Deloitte	29 December 2014
VGD	26 August 2013 (date of incorporation) to 30 June 2014	Deloitte	29 December 2014
Private Entities			
RG	30 June 2012	Y. L. Chee & Co	12 November 2012
	30 June 2013	Y. L. Chee & Co	23 October 2013
	30 June 2014	Deloitte	29 December 2014
SOR	30 June 2012*	Y. L. Chee & Co	5 December 2012
	30 June 2013*	Y. L. Chee & Co	18 September 2013
	30 June 2014	Deloitte	29 December 2014
TH	30 June 2012	Y. L. Chee & Co	12 December 2012
	30 June 2013	Y. L. Chee & Co	2 September 2013
	30 June 2014	Deloitte	29 December 2014

The auditors’ reports on the financial statements of the above entities for the relevant financial periods/years were not subject to any qualifications.

* Auditors’ reports included emphasis of matter that the going-concern assumption is dependent on the continued financial support of the shareholders and/or creditors and bankers of the respective companies.

OR was incorporated on 12 January 2015 and the first set of financial statements has yet to be drawn up. The first statutory auditors of OR is also yet to be appointed by the directors of OR.



5. **Dividends**

(a) **MCT Consortium**

The dividends paid by MCT Consortium were as follows:

	RM
<u>In respect of FYE 30 June 2012</u>	
Interim single-tier dividend of 26.9%, per share, paid on 7 September 2011	5,000,000
Interim single-tier dividend of 26.9%, per share, paid on 10 April 2012	<u>5,000,000</u>
	<u>10,000,000</u>
<u>In respect of FYE 30 June 2013</u>	
Interim single-tier dividend of 43%, per share, paid on 8 February 2013	<u>8,000,000</u>

No dividend has been paid or declared by MCT Consortium in respect of FYE 30 June 2014.

(b) **Subsidiaries of MCT Consortium and Private Entities**

(i) **MDCT**

The dividends paid by MDCT were as follows:

	RM
<u>In respect of FYE 30 June 2012</u>	
Interim dividend of 3.5%, per share, tax exempt, paid on 10 April 2012	176,680
Interim dividend of 12.1% per share, less 25% tax, paid on 10 April 2012	453,320
Single-tier dividend of 87.4% per share, paid on 10 April 2012	<u>4,370,000</u>
	<u>5,000,000</u>

No dividend has been paid or declared by MDCT in respect of FYE 30 June 2013 and 2014.



(ii) OCP

The dividends paid by OCP were as follows:

RM

In respect of FYE 30 June 2012

Interim single-tier dividend of 271.4%, per share, paid
on 1 October 2012

9,500,000

No dividend has been paid or declared by OCP in respect of FYE 30 June 2013 and 2014.

(iii) TPP

The dividend paid by TPP was as follows:

RM

In respect of FYE 30 June 2012

Interim single-tier dividend of 300%, per share, paid
on 3 October 2012

1,500,000

No dividend has been paid or declared by TPP in respect of FYE 30 June 2013 and 2014.

Other than as disclosed above, no dividend has been paid or declared by the other subsidiaries of MCT Consortium and Private Entities in respect of the past 3 relevant FPE/FYE.



6. Historical Financial Information of Enlarged MCT Group

6.1 Combined Financial Statements

The combined financial statements of Enlarged MCT Group comprise the combined statement of financial position of Enlarged MCT Group as at 30 June 2014, 2013 and 2012 the combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Enlarged MCT Group for the FYEs 30 June 2014, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

The combined financial statements of Enlarged MCT Group for the FYEs ended 30 June 2014, 2013 and 2012 have been prepared based on the following and from the following sources:

(a) Operating as a single economic entity

The combined financial statements of Enlarged MCT Group have been prepared as if it had operated as a single economic entity throughout the FYEs 30 June 2014, 2013 and 2012.

(b) Audited financial statements

The audited financial statements of MCT Consortium Group and Private Entities as disclosed in Section 4.

(c) No adjustments to re-align the non-coterminous year ends and difference in number of months in FPE

The combined financial statements of the Enlarged MCT Group for FYE 30 June 2014, incorporate the audited financial statements of MCTPC for FPE 1 January 2013 to 31 March 2014 or for a period of 15 months and the audited financial statements of MCTS for FYE 31 December 2013 and FPE 1 January 2014 to 31 March 2014 or for a total period of 15 months. No adjustments have been made to adjust the difference in the number of months in the FPE with the combined financial statements as the financial impact to the combined financial statements is not material given MCTPC and MCTS are dormant.

The combined financial statements of the Enlarged MCT Group for FYEs 30 June 2013 and 2012 incorporate the audited financial statements of MCTPC and MCTS for FYEs 31 December 2012 and 2011, respectively, which are non-conterminous. No adjustments have been made to align the non-coterminous year ends as the financial impact to the combined financial statements is not material given that MCTPC and MCTS are dormant. The income statements and balance sheets of MCTPC and MCTS for the FYEs 31 December 2012 and 2011 are disclosed in Section 6.40 and 6.41, respectively.

(d) Adjustments

The combined financial statements of Enlarged MCT Group for FYEs 30 June 2013 and 2012 incorporate the adjustments as disclosed in Sections 6.40 to 6.42.



6.2 Combined Statement of Profit or Loss and Other Comprehensive Income

	Note	FYE 30 June 2014	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Revenue	6.9	383,387,263	281,000,350	168,818,891
Cost of sales	6.10	(238,347,890)	(168,676,105)	(98,081,488)
Gross profit		145,039,373	112,324,245	70,737,403
Other income		45,217,402	3,365,198	943,640
Other operating expenses		(90,742,290)	(34,966,710)	(21,969,572)
Finance costs	6.11	(2,948,207)	(408,549)	(449,282)
Share of results of associate		22,304	(36,349)	-
Profit before tax	6.12	96,588,582	80,277,835	49,262,189
Income tax expense	6.13	(15,800,353)	(35,040,947)	(13,821,255)
Profit for the year		80,788,229	45,236,888	35,440,934
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		80,788,229	45,236,888	35,440,934
Attributable to:				
Equity holders of the company		80,788,229	45,237,640	35,441,633
Non-controlling interests		-	(752)	(699)
		80,788,229	45,236,888	35,440,934
Basic and diluted earnings per ordinary share (sen)	6.14	332.46	186.9	146.5



6.3 Combined Statement of Financial Position

	Note	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
ASSETS				
Non-Current Assets				
Property, plant and equipment	6.15	82,722,319	56,100,006	27,401,381
Investment properties	6.16	205,874,372	78,725,177	44,957,629
Land held for property development	6.17	32,544,917	-	149,050,577
Investment in associate	6.18	2,985,955	2,963,651	-
Available-for-sale investments	6.19	231,549	226,347	300,259
Goodwill on consolidation	6.20	3,272,290	3,272,290	3,272,290
Total Non-Current Assets		327,631,402	141,287,471	224,982,136
Current Assets				
Inventories		138,271	-	-
Property development costs	6.21	123,913,688	179,972,763	34,123,132
Accrued billings		14,057,820	-	-
Amount due from contract customers	6.22	3,975,384	69,589,936	48,146,966
Trade receivables	6.23	57,280,990	18,673,742	29,617,041
Other receivables and deposits	6.24	45,318,356	15,602,070	9,250,454
Amount due from ultimate holding company	6.25	5,000,000	5,000,000	5,000,000
Tax recoverable		1,894,332	-	409,200
Deposits with licensed banks		16,967,227	14,022,159	24,127,872
Cash and bank balances		86,040,928	27,951,748	35,811,825
Total Current Assets		354,586,996	330,812,418	186,486,490
Total Assets		682,218,398	472,099,889	411,468,626
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	6.26	24,300,014	24,200,017	24,200,017
Retained earnings		167,585,667	86,797,438	49,559,798
		191,885,681	110,997,455	73,759,815
Non-controlling interests		433	433	1,185
Total Equity		191,886,114	110,997,888	73,761,000



	Note	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Non-Current Liabilities				
Borrowings	6.27	172,056,353	109,807,907	112,598,316
Hire-purchase payables	6.28	3,521,805	3,362,071	1,841,352
Deferred tax liabilities	6.29	-	594,370	375,311
Total Non-Current Liabilities		<u>175,578,158</u>	<u>113,764,348</u>	<u>114,814,979</u>
Current Liabilities				
Progress billings		26,679,784	12,087,725	86,441,924
Amount due to contract customers	6.22	-	42,060,046	52,040,669
Trade payables	6.30	70,353,266	58,363,815	19,297,157
Other payables and accrued expenses	6.31	122,918,440	63,665,017	34,128,785
Amount due to ultimate holding company	6.25	-	-	22,748
Borrowings	6.27	54,732,845	30,594,539	19,283,786
Hire-purchase payables	6.28	2,166,495	2,608,368	1,498,340
Tax liabilities		37,903,296	37,958,143	10,179,238
Total Current Liabilities		<u>314,754,126</u>	<u>247,337,653</u>	<u>222,892,647</u>
Total Liabilities		<u>490,332,284</u>	<u>361,102,001</u>	<u>337,707,626</u>
Total Equity and Liabilities		<u>682,218,398</u>	<u>472,099,889</u>	<u>411,468,626</u>

APPENDIX VI – ACCOUNTANTS’ REPORT (CONT’D)
6.4 Combined Statement of Changes In Equity

	Share capital RM	Distributable reserve – Retained earnings RM	Attributable to equity holders of the Company RM	Non- controlling interests RM	Total equity RM
As at 1 July 2011	21,200,117	24,118,165	45,318,282	1,884	45,320,166
Issue of shares	2,999,900	-	2,999,900	-	2,999,900
Total comprehensive income for the year	-	35,441,633	35,441,633	(699)	35,440,934
Dividends paid (Section 5(a))	-	(10,000,000)	(10,000,000)	-	(10,000,000)
As at 30 June 2012	<u>24,200,017</u>	<u>49,559,798</u>	<u>73,759,815</u>	<u>1,185</u>	<u>73,761,000</u>
As at 1 July 2012	24,200,017	49,559,798	73,759,815	1,185	73,761,000
Total comprehensive income for the year	-	45,237,640	45,237,640	(752)	45,236,888
Dividends paid (Section 5(a))	-	(8,000,000)	(8,000,000)	-	(8,000,000)
As at 30 June 2013	<u>24,200,017</u>	<u>86,797,438</u>	<u>110,997,455</u>	<u>433</u>	<u>110,997,888</u>
As at 1 July 2013	24,200,017	86,797,438	110,997,455	433	110,997,888
Issue of shares	99,997	-	99,997	-	99,997
Total comprehensive income for the year	-	80,788,229	80,788,229	-	80,788,229
As at 30 June 2014	<u>24,300,014</u>	<u>167,585,667</u>	<u>191,885,681</u>	<u>433</u>	<u>191,886,114</u>



6.5 Combined Statement of Cash Flows

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
CASH FLOWS FROM/(USED IN)			
OPERATING ACTIVITIES			
Profit before tax	96,588,582	80,277,835	49,262,189
Adjustments for:			
Depreciation of:			
Property, plant and equipment	4,725,576	3,889,587	2,710,949
Investment properties	65,579	-	-
Finance costs	2,948,207	408,549	449,282
Provision for liquidated damages	1,343,322	-	-
Property, plant and equipment written off	41,328	18	-
Interest income	(701,749)	(967,995)	(218,379)
Share of results of associate	(22,304)	36,349	-
Bad debts written off:			
Trade receivables	-	-	69,181
Other receivables	-	421,466	-
Operating Profit Before Working Capital Changes	104,988,541	84,065,809	52,273,222
(Increase)/Decrease in:			
Inventories	(138,271)	-	-
Property development costs	80,547,798	17,480,900	(3,287,410)
Accrued billings	(14,057,820)	-	-
Amount due from contract customers	65,614,552	(21,442,970)	5,391,098
Trade receivables	(38,607,248)	10,943,299	(16,000,791)
Other receivables and deposits	(29,716,286)	(6,773,082)	1,026,076
Increase/(Decrease) in:			
Progress billings	14,592,059	(74,354,199)	45,272,694
Amount due to contract customers	(42,060,046)	(9,980,623)	785,303
Trade payables	11,989,451	39,066,658	3,444,870
Other payables and accrued expenses	57,910,101	29,536,232	6,619,575
Cash Generated From Operations	211,062,831	68,542,024	95,524,637
Income tax paid	(18,343,902)	(6,633,783)	(4,057,691)
Net Cash From Operating Activities	192,718,929	61,908,241	91,466,946



	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
CASH FLOWS FROM/(USED IN)			
INVESTING ACTIVITIES			
Interest income received	701,749	967,995	218,379
Additions to:			
Property, plant and equipment (Note)	(29,147,171)	(27,557,843)	(21,638,900)
Investment properties	(145,123,459)	(31,785,670)	(20,217,332)
Land held for property development	(32,446,212)	(10,197,044)	(58,545,313)
Investment in associate	-	(3,000,000)	-
Available-for-sale financial investments	(5,202)	(26,088)	(300,259)
(Increase)/Decrease in fixed deposits pledged with licensed banks	(2,870,592)	6,493,120	(16,076,217)
Redemption of available-for-sale financial assets	-	100,000	-
Net Cash Used In Investing Activities	<u>(208,890,887)</u>	<u>(65,005,530)</u>	<u>(116,559,642)</u>
CASH FLOWS FROM/(USED IN)			
FINANCING ACTIVITIES			
Drawdown of term loans	147,128,920	29,623,513	87,675,618
Proceeds from issue of shares	99,997	-	2,999,900
Repayment of:			
Term loans	(61,257,998)	(16,648,659)	(12,300,290)
Hire-purchase payables	(2,524,185)	(2,399,640)	(1,509,276)
Finance costs paid	(9,626,950)	(6,473,337)	(7,317,394)
Dividends paid	-	(8,000,000)	(10,000,000)
Decrease in amount due to ultimate holding company	-	(22,748)	(1,187,252)
Net Cash From/(Used In) Financing Activities	<u>73,819,784</u>	<u>(3,920,871)</u>	<u>58,361,306</u>



	Note	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		57,647,826	(7,018,160)	33,268,610
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>30,529,932</u>	<u>37,548,092</u>	<u>4,279,482</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	6.32	<u>88,177,758</u>	<u>30,529,932</u>	<u>37,548,092</u>

Note: During the financial year, the Enlarged MCT Group acquired property, plant and equipment by the following means:

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Cash purchase	29,147,171	27,557,843	21,638,900
Hire purchase financing	<u>2,242,046</u>	<u>5,030,387</u>	<u>1,314,313</u>
	<u>31,389,217</u>	<u>32,588,230</u>	<u>22,953,213</u>



6.6 Basis of Preparation of Combined Financial Statements

Except for the matters highlighted in Section 6.1, the combined financial statements of Enlarged MCT Group have been prepared in accordance with Financial Reporting Standards in Malaysia.

(a) Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (“MASB”) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework (“MFRS Framework”), a fully-IFRS compliant framework. Entities other than private entities shall apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities.

Transitioning Entities, being entities within the scope of MFRS 141 *Agriculture* and/or IC Interpretation 15: *Agreements for the Construction of Real Estate*, including its parents, significant investors and venturers were given a transitional period of two years, which allowed these entities an option to continue with the FRS Framework. Following the announcement by the MASB on 7 August 2013, the transitional period for Transitioning Entities has been extended for an additional year.

On 2 September 2014, the MASB announced that entities other than private entities and private entities that have in the alternative chosen to apply the FRS Framework shall comply with the MFRS Framework latest by 1 January 2017. The Enlarged MCT Group falls within the scope of definition of TEs and has availed itself of this transitional arrangement and will continue to apply FRSs in the preparation of its financial statements. Accordingly, the Enlarged MCT Group will be required to apply MFRS 1 *First-time adoption of Malaysian Financial Reporting Standards* in its financial statements for the financial year ending 30 June 2018, being the first set of financial statements prepared in accordance with new MFRS Framework.

The Enlarged MCT Group is currently assessing the impact of adoption of MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. At the date of this report, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new MFRS Framework on the Enlarged MCT Group’s first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is complete.

(b) Adoption of new and revised Financial Reporting Standards

In the current financial period, the Enlarged MCT Group adopted all the new and revised Standards and Issues Committee Interpretations (“IC Interpretation”) issued by the Malaysian Accounting Standards Board (“MASB”) that are effective for annual periods beginning on or after 1 July 2013:

FRS 1	Amendments to MFRS 1 (Government Loans)
FRS 7	Financial Instruments: Disclosures (Amendments relating to Disclosures – Offsetting Financial Assets and Liabilities)
FRS 10	Consolidated Financial Statements



FRS 10	Consolidated Financial Statements (Amendments relating to Transition Guidance)
FRS 11	Joint Arrangements
FRS 11	Joint Arrangements (Amendments relating to Transition Guidance)
FRS 12	Disclosure of Interests in Other Entities
FRS 12	Disclosure of Interests in Other Entities (Amendments relating to Transition Guidance)
FRS 13	Fair Value Measurement
FRS 101	Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income)
FRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)
FRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
FRS 128	Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
Annual Improvements to FRSs 2009 – 2011 cycle	

The adoption of these new and revised FRSs and IC Interpretations did not result in significant changes in the accounting policies of the Enlarged MCT Group and has no significant effect on the financial performance or position of the Enlarged MCT Group except as disclosed below:

Amendments to FRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Enlarged MCT Group has applied the amendments to FRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to FRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Enlarged MCT Group does not have any offsetting arrangements in place, the application of the amendments has no material impact on the disclosures or on the amounts recognised in these financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In November 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising FRS 10 *Consolidated Financial Statements*, FRS 11 *Joint Arrangements*, FRS 12 *Disclosure of Interests in Other Entities*, FRS 127 (IAS 27 as revised by IASB in May 2011) *Separate Financial Statements* and FRS 128 (IAS 28 as revised by IASB in May 2011) *Investment in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to FRS 10, FRS 11 and FRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.



Impact of the application of FRS 10

FRS 10 replaces the parts of FRS 127 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. IC Interpretation 112 *Consolidation – Special Purpose Entities*. FRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) it has the ability to use its power to affect its return. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in FRS 10 to explain when an investor has control over an investee. Some guidance included in FRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee to the Group.

The directors of the Enlarged MCT Group reviewed and assessed the classification of the Enlarged MCT Group's investment in subsidiaries in accordance with the requirements of FRS 10 and concluded that the adoption of FRS 10 has not affected the amounts reported on the financial statements of the Enlarged MCT Group.

Impact of the application of FRS 12

FRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structure entities. In general, the application of FRS 12 has resulted in more extensive disclosures in the financial statements.

FRS 13 Fair Value Measurement

The Enlarged MCT Group has applied FRS 13 for the first time in the current year. FRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of FRS 13 is broad; the fair value measurements of FRS 13 apply to both financial instrument items and non-financial instrument items for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of FRS 2 *Share-based Payment*, leasing transactions that are within the scope of FRS 117 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

FRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under FRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, FRS 13 includes extensive disclosure requirements.



In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. The application of FRS 13 has not had any material impact on the amounts recognised in these financial statements.

(c) **Standards and IC Interpretations In Issue But Not Effective**

At the date of authorisation for issue of these financial statements, the new and revised Standards and IC Interpretations which were in issue but not yet effective and not early adopted by the Enlarged MCT Group are as listed below:

FRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009) ¹
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010) ¹
FRS 9	Financial Instruments (Hedge Accounting and amendments relating to FRS 9, FRS 7 and FRS 139) ¹
FRS 14	Regulatory Deferral Accounts ⁴
IC Interpretation 21	Levies ²
Amendments to FRS 9 and FRS 7	Mandatory Effective Date of FRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and Transition Disclosures ¹
Amendments to FRS 10, FRS 12 and FRS 127	Investment Entities ²
Amendments to FRS 11	Joint Arrangements (Amendments relating to Accounting for Acquisitions of Interests in Joint Operations) ⁴
Amendments to FRS 116 and FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to FRS 119	Employee Benefits (Amendments relating to Defined Benefit Plans: Employee Contributions) ³
Amendments to FRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities) ²
Amendments to FRS 136	Impairment of Assets (Amendments relating to Recoverable Amounts Disclosures for Non-Financial Assets) ²
Amendments to FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting) ²
Annual Improvements to FRSs 2010 – 2012 cycle ³	
Annual Improvements to FRSs 2011 – 2013 cycle ³	

¹ The mandatory effective date of FRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) which was for annual period beginning on or after 1 January 2015 has been removed with the issuance of FRS 9 *Financial Instruments: Hedge Accounting* and amendments to FRS 9, FRS 7 and FRS 139. The effective date of FRS 9 will be decided when IASB's IFRS 9 project is closer to completion. However, each version of the FRS 9 is available for early adoption

² Effective for annual periods beginning on or after 1 January 2014

³ Effective for annual periods beginning on or after 1 July 2014

⁴ Effective for annual periods beginning on or after 1 January 2016



The directors anticipate that abovementioned Standards and IC Interpretations will be adopted in the annual financial statements of the Enlarged MCT Group when they become effective and that the adoption of these Standards and IC Interpretations will have no material impact on the financial statements of the Enlarged MCT Group in the period of initial application.

6.7 Summary of Significant Accounting Policies

6.7.1 Basis of Accounting

The historical combined financial statements have been prepared under the historical cost convention unless otherwise stated in the accounting policies as mentioned below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Enlarged MCT Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 2, leasing transaction that are within the scope of FRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 102 *Inventories* or value in use in FRS 136 *Impairment of Assets*.

6.7.2 Basis of Consolidation

The combined financial statements incorporate the financial statements of the Enlarged MCT Group and entities (including special purpose entities) controlled by the Enlarged MCT Group (its subsidiaries). Control is achieved where the Enlarged MCT Group :

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Enlarged MCT Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Enlarged MCT Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Enlarged MCT Group considers all relevant facts and circumstances in assessing whether or not the Enlarged MCT Group’s voting rights in an investee are sufficient to give it power, including:

- the size of the Enlarged MCT Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Enlarged MCT Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and

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- any additional facts and circumstances that indicate that the Enlarged MCT Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Enlarged MCT Group obtains control over the subsidiary and ceases when the Enlarged MCT Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Enlarged MCT Group gains control until the date when the Enlarged MCT Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Enlarged MCT Group.

All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Enlarged MCT Group are eliminated in full on consolidation.

Changes in the Enlarged MCT Group's ownership interests in subsidiaries that do not result in the Enlarged MCT Group losing the control are accounted for as equity transactions. The carrying amounts of the Enlarged MCT Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted at the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

Where the Enlarged MCT Group loses control of a subsidiary, a gain or loss is recognised and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Enlarged MCT Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.



6.7.3 Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Enlarged MCT Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with FRS 112 *Income Taxes* and FRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Enlarged MCT Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with FRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRSs.

Where the consideration transferred by the Enlarged MCT Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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The subsequent accounting for changes in the fair value contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with FRS 139 or FRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Enlarged MCT Group’s previously held interests in the acquired entity are remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by end of the reporting period in which the combination occurs, the Enlarged MCT Group reports provisional amounts for the items of which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

6.7.4 Associate

An associate is an entity over which the Enlarged MCT Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Enlarged MCT Group’s share of the profit or loss and other comprehensive income of the associate, less any impairment in the value of individual investments. When the Enlarged MCT Group’s share of losses of an associate exceeds the Enlarged MCT Group’s interest in that associate (which includes any long-term interests that, in substance), the Enlarged MCT Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Enlarged MCT Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Enlarged MCT Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Enlarged MCT Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.



The requirements of FRS 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Enlarged MCT Group’s investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 136 to the extent that the recoverable amount of the investment subsequently increases.

The Enlarged MCT Group discontinues the use of the equity method from the date when investment ceases to be an associated, or when the investment is classified as held for sale. When the Enlarged MCT Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 139. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the associate. In addition, the Enlarged MCT Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets and liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Enlarged MCT Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Enlarged MCT Group reduces its ownership interest in an associate but the Enlarged MCT Group continues to use the equity method, the Enlarged MCT Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with its associate, profit or losses resulting from the transactions with the associate are recognised in the Enlarged MCT Group’s consolidated financial statements only to the extent of the Enlarged MCT Group’s interest in the associate that are not related to the Enlarged MCT Group.

6.7.5 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods or services in the ordinary course of business. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Enlarged MCT Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) **Property development revenue**

Revenue from property development projects is accounted for using the percentage of completion method where the outcome of the development can be reliably estimated and is in respect of sales where agreements have been finalised by the end of the reporting period. The percentage of completion is measured by reference to the costs incurred to date compared to the estimated total costs of the development.



(b) Sale of completed properties

Revenue from sale of completed properties is recognised upon the finalisation of sale and purchase agreements by the end of the reporting period and when the risks and rewards of ownership have passed to the customers.

(c) Revenue from construction contracts

Revenue is recognised based on the stage of completion of individual projects. The stage of completion is determined by the proportion of contract costs incurred to date against the total estimated costs on project where the outcome of the project can be reliably estimated. All anticipated losses on contract projects are fully provided for.

(d) Sale of goods

Sales of goods are recognised upon delivery of products and where the risks and rewards of ownership have passed to the customers, or performance of services, net of sales taxes and discounts.

(e) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(f) Interest income

Interest income is recognised by calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

6.7.6 Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The combined financial statements of Enlarged MCT Group are presented in Ringgit Malaysia, the currency of the primary economic environment in which the Enlarged MCT Group operates (its functional currency).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.



Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

6.7.7 Employee Benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Enlarged MCT Group. Short-term accumulating compensated absences for paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plan

The Enlarged MCT Group is required by law to make monthly contributions to the Employees Provident Fund (“EPF”), a statutory defined contribution plan, for all its eligible employees based on certain prescribed rates of the employees’ salaries. The Enlarged MCT Group’s contributions to EPF are disclosed separately. The employees’ contributions to EPF are included in staff costs.

6.7.8 Taxation

Income tax expense for the year comprises current and deferred tax.

(a) Current tax

Current tax is the expected amount of income taxes payable in respect of the taxable profits for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

(b) Deferred tax

Deferred tax is accounted for, using the “liability” method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.



The carrying amount of deferred tax assets, if any, is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Enlarged MCT Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to the statement of profit or loss and other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes by the same tax authority and the Enlarged MCT Group intends to settle its current tax assets and liabilities on a net basis.

6.7.9 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

Property, plant and equipment under construction are not depreciated.

Depreciation of other property, plant and equipment is computed on the straight-line method to write off the cost of the various property, plant and equipment over their estimated useful lives at the following annual rates:

	FYE 30 June 2014	FYE 30 June 2013	FYE 30 June 2012
Office equipment	12.5%	20%	20%
Furniture and fittings	10.0 - 12.5%	20%	20%
Computer equipment	20.0 - 33.3%	20%	20%
Plant and machinery	8.3 - 10.0%	20%	20%
Construction equipment	12.5 - 20.0%	20%	20%
Tools and equipment	12.5%	20%	20%
Motor vehicles	20.0%	20%	20%
Buildings	2%	-	-

The residual values, estimated useful lives and depreciation method of the property, plant and equipment are reviewed at the end of each reporting period and, if expectations differ from previous estimates, the changes will be accounted for prospectively as a change in accounting estimate.

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During the financial year, the Enlarged MCT Group reviewed the estimated useful lives of its property, plant and equipment and revised annual depreciation rates with effect from 1 July 2013 to reflect more realistically the remaining estimated useful lives of those assets. The effect of this change in accounting estimate is a decrease in depreciation charge for the financial year amounting to approximately RM3,015,000.

6.7.10 Assets Acquired Under Hire-Purchase Arrangements

Assets acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to profit or loss to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Assets held under hire-purchase arrangement are depreciated over their expected useful lives on the same basis as owned assets.

6.7.11 Investment Properties

Investment properties, comprising certain freehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Enlarged MCT Group.

Investment properties under construction are not depreciated. Investment properties are stated at cost less accumulated depreciation and any impairment losses. Investment properties are depreciated on the straight-line method at an annual rates of 2%.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statements of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

6.7.12 Property Development Activities

(a) Land held for property development

Land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less any impairment losses.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and where the development activities can be completed within the Enlarged MCT Group's normal operating cycle.



(b) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs directly attributable to development activities or that can be allocated on a reasonable basis to these activities.

When the outcome of the development activity can be estimated reliably, property development revenue and expenses are recognised by using the stage of completion method. The stage of completion is measured by reference to the proportion that property development costs incurred bear to the estimated total costs for the property development.

When the outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that are probable of recovery.

Irrespective of whether the outcome of a property development activity can be estimated reliably, when it is probable that total property development costs (including expected defect liability expenditure) will exceed total property development revenue, the expected loss is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset and are stated at the lower of cost and net realisable value.

Where revenue recognised in profit or loss exceeds billings to purchasers, the balance is shown as accrued billings within current assets. Where billings to purchasers exceed revenue recognised in profit or loss, the balance is shown as progress billings within current liabilities.

6.7.13 Construction Contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are probable of recovery. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately as an allowance for foreseeable loss.

Amount due from contract customers represents the excess of cost incurred to-date and portion of profit or loss attributable to work performed to-date over progress billings while amount due to contract customers represents the excess of progress billings over cost incurred to-date and portion of profit or loss attributable to work performed to-date.



6.7.14 Goodwill on Consolidation

Goodwill is identified as any excess of the consideration paid over Enlarged MCT Group’s share of fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition. Goodwill is initially measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Where the consideration is lower than the Enlarged MCT Group’s share of net fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is recognised as negative goodwill. Negative goodwill is recognised immediately in profit or loss.

Goodwill acquired is allocated to the cash-generating units (“CGU”) expected to benefit from the acquisition synergies. An impairment loss is recognised in profit or loss when the carrying amount of the CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount is the higher of the CGU’s fair value less costs to sell and its value in use. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each assets in the CGU. Impairment loss on goodwill is not reversed in a subsequent period.

6.7.15 Impairment of Non-Financial Assets Excluding Goodwill

At the end of each reporting period, the Enlarged MCT Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Enlarged MCT Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.



6.7.16 **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get them ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The amount of borrowing costs eligible for capitalisation is determined based on actual interest incurred on borrowings made specifically for the purpose of obtaining a qualifying asset and less any investment income on the temporary investment of that borrowing.

All other borrowing costs are recognised as finance costs in profit or loss in the period in which they are incurred.

6.7.17 **Provisions**

Provisions are recognised when the Enlarged MCT Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligations, and when a reliable estimate of the amount can be made. Provisions are measured at the directors’ best estimate of the amount required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

At the end of each reporting period, the provisions are reviewed by the directors and adjusted to reflect the current best estimate. The provisions are reversed if it is no longer probable that the Enlarged MCT Group will be required to settle the obligations.

6.7.18 **Financial Instruments**

Financial instruments are recognised in the statements of financial position when, and only when, the Enlarged MCT Group becomes a party to the contractual provisions of the financial instruments.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, such financial asset is recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

(a) **Financial assets**

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (“FVTPL”), ‘held-to-maturity’ investments, ‘available-for-sale’ (“AFS”) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.



Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Enlarged MCT Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Enlarged MCT Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in profit or loss.



(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Enlarged MCT Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

(iii) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investment or financial assets at FVTPL. All AFS assets are measured at fair value at the end of the reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Enlarged MCT Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.



(v) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Enlarged MCT Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.



In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

(vi) Derecognition of financial assets

The Enlarged MCT Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Enlarged MCT Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Enlarged MCT Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Enlarged MCT Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Enlarged MCT Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(b) Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(i) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Enlarged MCT Group are recognised at the proceeds received, net of direct issue costs.

(ii) Financial guarantee contract liabilities

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with FRS 137 *Provisions, Contingent Liabilities and Contingent Assets*; or
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

(iii) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.



A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Enlarged MCT Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Enlarged MCT Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

(iv) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.



(v) Derecognition of financial liabilities

The Enlarged MCT Group derecognises financial liabilities when, and only when, the Enlarged MCT Group's obligations are discharged, cancelled or they expire.

The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

6.7.19 Cash and Cash Equivalents

The Enlarged MCT Group adopts the indirect method in the preparation of the combined statement of cash flows.

Cash equivalents are short term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value, against which bank overdrafts, if any are deducted.

6.8 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

(a) Critical judgements in applying the Enlarged MCT Group's accounting policies

In the process of applying the Enlarged MCT Group's accounting policies, which are described in Section 6.7, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year, except for the following:

(i) Property development revenue

The Enlarged MCT Group recognised property development revenue based on the percentage of completion method. The percentage of completion is measured by reference to the property development costs incurred to date to the estimated total costs for the property development. The percentage of completion method requires the Enlarged MCT Group to make reasonably dependable estimates of progress towards completion of property development projects and costs in determining the percentage of completion, and the recoverability of development projects. In making the estimate, management relied on opinion/service of experts, past experience and a continuous monitoring mechanism.



(ii) Revenue from construction contracts

The Enlarged MCT Group recognises revenue and costs in the profit or loss using the stage of completion method. The stage of completion is determined by the completion of a physical proportion of the contract work. Judgements are required in determining the stage of completion, the estimated total contract revenue and costs, as well as the recoverability of the contracts.

(iii) Impairment on goodwill

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating units from which goodwill arises. The value in use calculation requires management to estimate the future cash flows reflected by the remaining proportion of the gross development value from the related property development project on which the goodwill arises.

(ii) Depreciation of property, plant and equipment

During the financial year, the Enlarged MCT Group reviewed the estimated useful lives of its property, plant and equipment and revised annual depreciation rates with effect from 1 July 2013 to reflect more realistically the remaining estimated useful lives of those assets. The effect of this change in accounting estimate is a decrease in depreciation charge for the financial year amounting to approximately RM3,015,000.

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6.9 Revenue

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Property development revenue	213,436,012	235,957,678	131,656,849
Sale of property	82,494,750	-	-
Construction activities:			
Contract revenue	87,456,501	43,140,672	15,037,032
Services rendered	-	-	1,181,544
Sale of land pursuant to compulsory acquisition by the Government of Malaysia	-	1,902,000	20,943,466
	<u>383,387,263</u>	<u>281,000,350</u>	<u>168,818,891</u>

6.10 Cost of Sales

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Property development costs	141,965,152	118,492,514	77,996,934
Cost of sale of property	18,649,698		
Construction activities:			
Contract costs	77,733,040	50,183,591	11,970,278
Cost of services	-	-	2,030,316
Cost of land	-	-	6,083,960
	<u>238,347,890</u>	<u>168,676,105</u>	<u>98,081,488</u>

6.11 Finance Costs

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Interest expense on:			
Term loans	2,436,222	-	-
Hire-purchases	457,358	225,417	233,293
Bank guarantees	23,463	67,768	98,340
Bank overdrafts	21,435	11,209	95,845
Letter of credits	9,729	93,293	11,788
Bankers' acceptances	-	10,862	10,016
	<u>2,948,207</u>	<u>408,549</u>	<u>449,282</u>



6.12 Profit Before Tax

Profit before tax is arrived at after charging/(crediting) the following:

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Rental of:			
Premises	18,672,202	215,000	179,600
Equipment	524,631	-	-
Staff costs	16,691,688	8,848,017	6,583,002
Developer interest bearing scheme	13,254,444	14,575,018	6,746,766
Depreciation of:			
Property, plant and equipment	4,725,576	3,889,587	2,710,949
Investment properties	65,579	-	-
Provision for liquidated damages	1,343,322	-	-
Directors' remuneration	537,600	538,220	471,020
Audit fees:			
Statutory audits	204,500	180,728	173,240
Special audits	220,000	-	-
Property, plant and equipment written off	41,328	18	-
Bad debts written off:			
Trade receivables	-	-	69,181
Other receivables	-	421,466	-
Grant income receivable from Government of Malaysia	(28,310,509)	-	-
Rental income	(6,773,027)	(432,190)	(7,500)
Interest income	(701,749)	(967,995)	(379,971)
Realised gain on foreign exchange	(383,520)	(538,506)	(37,245)

Staff costs include salaries, contributions to defined contribution plans and all other staff related expenses. Contributions to approved provident funds by the Enlarged MCT Group during the financial year amounted to RM1,623,449 (FYE 30 June 2013: RM908,042; FYE 30 June 2012: RM650,484).

The increase in staff costs in FYE 30 June 2014 is due mainly to the increase in head counts of the Enlarged MCT Group as a result of the expansion and increase in the operating activities of the Enlarged MCT Group.

The remuneration of members of key management personnel, who are also directors, during the financial year are RM537,600 (FYE 30 June 2013: RM538,220; FYE 30 June 2012: RM471,020).



6.13 Income Tax Expense

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Estimated tax payable:			
Current year	16,347,960	34,700,920	13,674,793
Under/(Over)provision in prior years	46,763	120,968	(161,302)
	16,394,723	34,821,888	13,513,491
Deferred tax (Note 6.29):			
Current year	(699,275)	219,059	307,764
Underprovision in prior years	104,905	-	-
	(594,370)	219,059	307,764
	<u>15,800,353</u>	<u>35,040,947</u>	<u>13,821,255</u>

A numerical reconciliation of income tax expense applicable to profit before tax at the applicable statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Profit before tax	96,588,582	80,277,835	49,262,189
Tax at statutory tax rate of 25%	24,147,146	20,069,459	12,315,547
Tax effects of:			
Non-deductible expenses	4,437,433	1,696,467	926,531
Non-taxable income	(20,096,329)	(403,827)	(4,290,445)
Intercompany profits taxable at subsidiary level	534,303	13,484,493	5,015,380
Share of results of associate	(5,576)	9,087	-
Deferred tax assets not recognised	6,631,708	67,777	15,544
Realisation of deferred tax assets previously not recognised	-	(3,477)	-
Under/(Over)provision in prior years:			
Current tax	46,763	-	-
Deferred tax	104,905	120,968	(161,302)
	<u>15,800,353</u>	<u>35,040,947</u>	<u>13,821,255</u>



6.14 Earnings Per Share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to the equity holders of the company, by the number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per share equal to basic earnings per share as the Company has no dilutive potential ordinary shares as at the end of the reporting period.

APPENDIX VI – ACCOUNTANTS' REPORT (CONT'D)
6.15 Property, Plant and Equipment

	Office equipment RM	Furniture and fittings RM	Computer equipment RM	Plant and machinery RM	Construction equipment RM	Tools and equipment RM	Motor vehicles RM	Property, plant and equipment under construction RM	Buildings RM	Total RM
Cost										
As at 1 July 2011	399,335	38,163	973,589	8,205,744	2,066,487	610,118	1,835,503	-	-	14,128,939
Additions	136,372	-	288,497	1,097,185	947,802	16,000	551,849	19,915,508	-	22,953,213
As at 30 June 2012/1 July 2012	535,707	38,163	1,262,086	9,302,929	3,014,289	626,118	2,387,352	19,915,508	-	37,082,152
Additions	84,126	45,736	291,445	4,339,211	749,314	-	1,518,300	25,560,098	-	32,588,230
Write offs	(25,992)	-	(15,638)	-	-	-	-	-	-	(41,630)
As at 30 June 2013/1 July 2013	593,841	83,899	1,537,893	13,642,140	3,763,603	626,118	3,905,652	45,475,606	-	69,628,752
Additions	144,955	3,304,563	942,421	11,695,040	771,299	5,540	1,327,614	8,137,497	5,060,288	31,389,217
Write offs	(2,840)	-	-	-	-	-	-	(39,040)	-	(41,880)
Reclassifications	-	-	-	37,515,500	-	274,856	-	(53,391,139)	15,600,783	-
As at 30 June 2014	735,956	3,388,462	2,480,314	62,852,680	4,534,902	906,514	5,233,266	182,924	20,661,071	100,976,089

APPENDIX VI – ACCOUNTANTS' REPORT (CONT'D)

	Office equipment RM	Furniture and fittings RM	Computer equipment RM	Plant and machinery RM	Con-struction equipment RM	Tools and equipment RM	Motor vehicles RM	Property, plant and equipment under construction RM	Buildings RM	Total RM
Accumulated depreciation										
As at 1 July 2011	316,049	37,367	606,260	3,241,610	1,220,136	516,300	1,032,100	-	-	6,969,822
Charge for the year	63,183	769	194,181	1,607,171	422,504	77,575	345,566	-	-	2,710,949
As at 30 June 2012/1 July 2012	379,232	38,136	800,441	4,848,781	1,642,640	593,875	1,377,666	-	-	9,680,711
Charge for the year	62,033	9,147	231,702	2,387,797	558,668	6,810	633,430	-	-	3,889,587
Write offs	(25,977)	-	(15,635)	-	-	-	-	-	-	(41,612)
As at 30 June 2013/1 July 2013	415,288	47,283	1,016,508	7,236,578	2,201,308	600,685	2,011,096	-	-	13,528,746
Charge for the year	62,710	163,949	347,566	2,390,493	405,521	14,304	716,229	-	624,804	4,725,576
Write off	(552)	-	-	-	-	-	-	-	-	(552)
As at 30 June 2014	477,446	211,232	1,364,074	9,627,071	2,606,829	614,989	2,727,325	-	624,804	18,253,770
Net book value										
As at 30 June 2012	156,475	27	461,645	4,454,148	1,371,649	32,243	1,009,686	19,915,508	-	27,401,381
As at 30 June 2013	178,553	36,616	521,385	6,405,562	1,562,295	25,433	1,894,556	45,475,606	-	56,100,006
As at 30 June 2014	258,510	3,177,230	1,116,240	53,225,609	1,928,073	291,525	2,505,941	182,924	20,036,267	82,722,319



- (a) As at 30 June 2014, the carrying amount of property, plant and equipment acquired under hire-purchase are RM2,279,066 (30.6.2013: RM3,534,655; 30.6.2012: RM3,341,824).
- (b) As at 30 June 2014, the net book value of property, plant and equipment pledged to financial institution as security for term loan facilities granted to the Enlarged MCT Group as disclosed in Note 6.27 are as follows:

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Property, plant and equipment	56,892,936	-	-
Property, plant and equipment under construction	-	29,761,947	19,915,508
	<u>56,892,936</u>	<u>29,761,947</u>	<u>19,915,508</u>

6.16 **Investment Properties**

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
At cost			
At beginning of year	78,725,177	44,957,629	23,520,045
Additions	145,864,472	32,762,920	20,543,445
Disposal	(18,649,698)	-	-
Transfer from property development costs (Note 6.21)	-	1,004,628	894,139
At end of year	<u>205,939,950</u>	<u>78,725,177</u>	<u>44,957,629</u>
Accumulated Depreciation			
At beginning of year	-	-	-
Charge for the year	65,579	-	-
At end of year	<u>65,579</u>	<u>-</u>	<u>-</u>
Net book value	<u>205,874,372</u>	<u>78,725,177</u>	<u>44,957,629</u>
Represented by:			
Freehold land and buildings under construction	204,571,266	78,725,177	44,957,629
Freehold land and buildings	1,303,106	-	-
	<u>205,874,372</u>	<u>78,725,177</u>	<u>44,957,629</u>



Rental income earned from the investment properties amounted to RMNil (30.6.2013: RMNil; 30.6.2012: RMNil). Direct operating expenses incurred in respect of the investment properties amounted to RMNil (30.6.2013: RMNil; 30.6.2012: RMNil).

During the financial year, interest expense capitalised in investment properties under construction amounted to RM741,012 (30.6.2013: RM977,250; 30.6.2012: RM326,113).

The investment properties with carrying amount of RM205,874,372 (30.6.2013: RM78,725,177; 30.6.2012: RM44,957,629) have been pledged to financial institution as security for term loan facilities granted to the Enlarged MCT Group as disclosed in Note 6.27.

6.17 Land Held For Property Development

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Cost			
At beginning of year	-	149,050,577	85,028,738
Additions	32,544,917	10,197,044	70,105,799
Transfer to property development costs (Note 6.21)	-	(159,247,621)	-
Disposal	-	-	(6,083,960)
At end of year	<u>32,544,917</u>	<u>-</u>	<u>149,050,577</u>
Represented by:			
Land cost	31,371,912	-	131,483,606
Development costs	<u>1,173,005</u>	<u>-</u>	<u>17,566,971</u>
	<u>32,544,917</u>	<u>-</u>	<u>149,050,577</u>

During the financial year, interest expense capitalised in land held for property development of the Enlarged MCT Group amounted to RM98,705 (30.6.2013: RMNil; 30.6.2012: RM5,476,526).

Certain land held for property development with carrying amount of RM32,544,917 (30.6.2013: RMNil; 30.6.2012: RM135,479,183) have been pledged to financial institution as security for term loan facilities granted to the Enlarged MCT Group as disclosed in Note 6.27.

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6.18 Investment In Associate

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Unquoted shares at cost	3,000,000	3,000,000	-
Share of post-acquisition reserve	(14,045)	(36,349)	-
	<u>2,985,955</u>	<u>2,963,651</u>	<u>-</u>
Represented by:			
Share of net assets	1,155,623	1,133,319	-
Goodwill on acquisition	1,830,332	1,830,332	-
	<u>2,985,955</u>	<u>2,963,651</u>	<u>-</u>

The details of the associate are as follows:

Name of company	FYE 30 June 2014 %	FYE 30 June 2013 %	FYE 30 June 2012 %	Principal activity
KAS Engineering Sdn Bhd	25%	25%	-	Project main contractor

The summarised financial information of the associate are as follows:

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Assets and liabilities			
Non-current assets	60,572,509	4,632	-
Current assets	58,285,311	24,846,384	-
Total assets	<u>118,857,820</u>	<u>24,851,016</u>	<u>-</u>
Non-current liabilities	79,861,495	16,556,827	-
Current liabilities	34,373,832	3,760,912	-
Total liabilities	<u>114,235,327</u>	<u>20,317,739</u>	<u>-</u>
Net assets	4,622,493	4,533,277	-
Enlarged MCT Group's share of net assets	<u>1,155,623</u>	<u>1,133,319</u>	<u>-</u>
Results			
Revenue	-	-	-
Profit/(Loss) for the year	89,216	(145,397)	-
Enlarged MCT Group's share of results of associate	<u>22,304</u>	<u>(36,349)</u>	<u>-</u>



The financial year end of the associate is 31 December, which is different from the Enlarged MCT Group. For the purpose of applying the equity method of accounting, the share of results of associate is arrived at based on the management financial statements.

6.19 Available-For-Sale Investments

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
At fair value:			
Quoted shares	<u>231,549</u>	<u>226,347</u>	<u>300,259</u>

6.20 Goodwill on Consolidation

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Goodwill on consolidation	<u>3,272,290</u>	<u>3,272,290</u>	<u>3,272,290</u>

Goodwill acquired in business combinations is allocated, at acquisition date, to cash generating units (“CGU”) that are expected to benefit from that business combination.

The Enlarged MCT Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from a value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the discount rate, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rate using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU. The growth rates and changes in selling prices and direct costs are based on expectations of future changes in the market.



6.21 Property Development Costs

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
At beginning of year:			
Land costs	138,381,800	35,389,458	36,065,033
Development costs	324,527,812	163,178,009	81,046,756
	462,909,612	198,567,467	117,111,789
Cost incurred during the year:			
Land costs	-	310,390	218,564
Development costs	85,906,076	105,788,761	82,131,253
	85,906,076	106,099,151	82,349,817
Transfer from land held for property development (Note 6.17)	-	159,247,621	-
Transfer to investment properties (Note 6.16)	-	(1,004,628)	(894,139)
Costs recognised as expense in profit or loss during the year:			
Previous years	(282,936,848)	(164,444,335)	(86,447,401)
Current year	(141,965,152)	(118,492,513)	(77,996,934)
	(424,902,000)	(282,936,848)	(164,444,335)
	<u>123,913,688</u>	<u>179,972,763</u>	<u>34,123,132</u>
At end of year:			
Land costs	31,304,857	71,437,788	6,081,556
Development costs	92,608,832	108,534,975	28,041,576
	<u>123,913,688</u>	<u>179,972,763</u>	<u>34,123,132</u>

During the financial year, interest expense capitalised in property development costs of the Enlarged MCT Group amounted to RM5,839,026 (30.6.2013: RM5,087,538; 30.6.2012: RM1,065,473).

Certain property development costs amounted to RM123,354,436 (30.6.2013: RM143,340,836; 30.6.2012: RM2,342,975) have been pledged to financial institution as security for term loan facilities granted to the Enlarged MCT Group as disclosed in Note 6.27.

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6.22 Amount Due From Contract Customers

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Contract costs incurred to date	186,952,484	225,816,867	174,103,969
Add: Attributable profit	17,510,234	10,500,603	19,072,830
	<u>204,462,718</u>	<u>236,317,470</u>	<u>193,176,799</u>
Progress billings received and receivable	<u>(200,487,334)</u>	<u>(208,787,580)</u>	<u>(197,070,502)</u>
Net	<u>3,975,384</u>	<u>27,529,890</u>	<u>(3,893,703)</u>
Consisting of:			
Amount due from contract customers	3,975,384	69,589,936	48,146,966
Amount due to contract customers	-	<u>(42,060,046)</u>	<u>(52,040,669)</u>
Net	<u>3,975,384</u>	<u>27,529,890</u>	<u>(3,893,703)</u>
Retention sums on contracts, included in trade payables (Note 6.30)	<u>10,294,615</u>	<u>5,835,423</u>	<u>3,377,817</u>

6.23 Trade Receivables

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Trade receivables	50,325,908	15,238,248	27,322,269
Retention sum	<u>6,955,082</u>	<u>3,435,494</u>	<u>2,294,772</u>
	<u>57,280,990</u>	<u>18,673,742</u>	<u>29,617,041</u>

Trade receivables are classified as loans and receivables and are therefore measured at amortised cost.

The credit period granted for the progress billings ranged from 14 to 45 days (30.6.2013: 14 to 45 days; 30.6.2012: 14 to 45 days). No interest is charged on trade receivables. Impairment losses are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.



The credit period granted by the Enlarged MCT Group on retention sum is 24 months (30.6.2013: 24 months; 30.6.2012: 24 months).

The Enlarged MCT Group has trade receivables totalling RM40,055,820 (30.6.2013: RM1,832,810; 30.6.2012: RM739,491) that are past due at the end of the reporting period but against which the Enlarged MCT Group has not recognised allowance for doubtful debts as the amounts are still considered recoverable. The Enlarged MCT Group does not hold any collateral over these balances. The increase in trade receivables that are past due and not impaired as at 30 June 2014 is due mainly to the outstanding receivables from B&G Corporation Sdn Bhd and Setia Haruman Sdn Bhd amounting to RM32,837,175 and RM3,682,289 respectively. The said outstanding receivables have been fully collected subsequent to 30 June 2014.

Concentration of credit risk with respect to trade receivables is limited due to the Enlarged MCT Group’s large number of customers, which are widely distributed and covers a broad range of end markets, except for a customer who accounted approximately 74% (30.6.2013: 33%; 30.6.2012: Nil) of the total amount outstanding at the end of the reporting period.

The table below is an analysis of trade receivables at the end of the reporting period:

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Neither past due nor impaired	10,270,088	13,405,438	26,582,778
Past due but not impaired	40,055,820	1,832,810	739,491
Past due and impaired	-	-	-
	<u>50,325,908</u>	<u>15,238,248</u>	<u>27,322,269</u>
<u>Aging of past due but not impaired</u>			
Past due 1 to 30 days	9,533,432	292,280	115,700
Past due 31 to 60 days	15,584,435	149,554	28,480
Past due 61 to 90 days	872,361	501,989	289,487
Past due more than 90 days	14,065,592	888,987	305,824
	<u>40,055,820</u>	<u>1,832,810</u>	<u>739,491</u>



6.24 Other Receivables and Deposits

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Other receivables:			
Grant receivable	28,310,509	-	-
Third parties	8,004,746	7,648,675	2,720,481
Amount due from related parties	6,600	1,398,776	744,997
Amount due from directors	2,125,477	1,525,589	1,525,589
	38,477,332	10,573,040	4,991,067
Other deposits	5,441,445	4,544,729	3,961,078
Prepaid expenses	1,429,579	484,301	298,309
	<u>45,318,356</u>	<u>15,602,070</u>	<u>9,250,454</u>

Grant receivable represents grant income receivable from the Government of Malaysia in relation to the construction cost incurred on the road infrastructure surrounding the Enlarged MCT Group's OneCity Development project. The said grant was received subsequent to the end of the financial period on 2 September 2014.

Amount due from related parties and directors, which arose mainly from expenses paid on behalf and advances, are unsecured, interest-free and repayable on demand.

Related parties refer to companies in which certain directors have interests.

6.25 Amount Due From/(To) Ultimate Holding Company

Amount due from/(to) ultimate holding company, which arose mainly from expenses paid on behalf and unsecured advances, are unsecured, interest-free and repayable on demand.

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6.26 Share Capital

	FYE 30 June 2014	No. of shares FYE 30 June 2013	FYE 30 June 2012
Authorised:			
Ordinary shares of RM1 each			
At beginning of year	33,200,000	33,200,000	28,300,000
Created during the year	300,000	-	4,900,000
At end of year	<u>33,500,000</u>	<u>33,200,000</u>	<u>33,200,000</u>
Issued and fully paid-up:			
Ordinary shares of RM1 each			
At beginning of year	24,200,017	24,200,017	21,200,117
Created during the year	99,997	-	2,999,900
At end of year	<u>24,300,014</u>	<u>24,200,017</u>	<u>24,200,017</u>
	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Authorised:			
Ordinary shares of RM1 each			
At beginning of year	33,200,000	33,200,000	28,300,000
Created during the year	300,000	-	4,900,000
At end of year	<u>33,500,000</u>	<u>33,200,000</u>	<u>33,200,000</u>
Issued and fully paid-up:			
Ordinary shares of RM1 each			
At beginning of year	24,200,017	24,200,017	21,200,117
Created during the year	99,997	-	2,999,900
At end of year	<u>24,300,014</u>	<u>24,200,017</u>	<u>24,200,017</u>

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6.27 Borrowings

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Current			
Secured:			
Term loans	54,169,295	30,546,819	14,781,556
Bank overdrafts	563,550	47,720	4,502,230
	<u>54,732,845</u>	<u>30,594,539</u>	<u>19,283,786</u>
Non-Current			
Secured:			
Term loans	172,056,353	109,807,907	112,598,316
	<u>172,056,353</u>	<u>109,807,907</u>	<u>112,598,316</u>
Total borrowings			
Term loans	226,225,648	140,354,726	127,379,872
Bank overdrafts (Note 6.32)	563,550	47,720	4,502,230
	<u>226,789,198</u>	<u>140,402,446</u>	<u>131,882,102</u>

Borrowings are repayable as follows:

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Current	54,732,845	30,594,539	19,283,786
Non-current:			
More than a year and less than 5 years	127,078,624	71,625,967	91,774,749
More than 5 years	44,977,729	38,181,940	20,823,567
	<u>226,789,198</u>	<u>140,402,446</u>	<u>131,882,102</u>

The borrowings are secured by the following:

- Property, plant and equipment, investment properties, land held for property development and property development costs as disclosed in Notes 6.15, 6.16, 6.17 and 6.21, respectively;
- A third party memorandum of deposit of fixed deposits belonging to the MCT Enlarged Group as disclosed in Note 6.32;
- A joint and several guarantee by all directors; and
- Corporate guarantee issued by B&G Capital Resources Berhad.

The borrowings bear interest at rates ranging from 4.60% to 8.35% (30.6.2013: 4.60% to 8.35%; 30.6.2012: 4.60% to 8.35%) per annum.



6.28 Hire-Purchase Payables

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Total outstanding	6,247,519	6,444,098	3,638,666
Less: Interest-in-suspense	(559,219)	(473,659)	(298,974)
Principal portion	5,688,300	5,970,439	3,339,692
Payable as follows:			
Within the next 12 months (shown under current liabilities)	2,166,495	2,608,368	1,498,340
After the next 12 months	3,521,805	3,362,071	1,841,352
	5,688,300	5,970,439	3,339,692

The interest rates implicit in these hire-purchase obligations range from 2.36% to 11.00% (30.6.2013: 2.36% to 11.00%; 30.6.2012: 2.48% to 5.08%) per annum.

6.29 Deferred Tax Liabilities

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
At beginning of year	594,370	375,311	67,547
Transfer from profit or loss (Note 6.13)			
Property, plant and equipment	(594,370)	219,059	19,977
Provisions	-	-	175,829
Others	-	-	111,958
	(594,370)	219,059	307,764
At end of year	-	594,370	375,311

Deferred tax liabilities provided in the combined financial statements are in respect of the tax effects of property, plant and equipment.

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6.30 Trade Payables

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Trade payables	60,058,651	52,528,392	15,919,340
Retention sum (Note 6.22)	10,294,615	5,835,423	3,377,817
	<u>70,353,266</u>	<u>58,363,815</u>	<u>19,297,157</u>

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period granted to the Enlarged MCT Group for trade purchase ranges from 30 to 90 days (30.6.2013: 30 to 90 days; 30.6.2012: 30 to 90 days).

6.31 Other Payables and Accrued Expenses

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Other payables:			
Third parties	6,574,030	3,112,353	1,959,821
Amount due to directors	22,978,620	21,582,892	15,341,013
	29,552,650	24,695,245	17,300,834
Accrued expenses	10,581,774	304,160	302,042
Provision for rebates	31,342,729	20,508,295	6,179,397
Provision for liquidated damages	1,343,322	-	-
Deposits received	50,097,965	18,157,317	10,346,512
	<u>122,918,440</u>	<u>63,665,017</u>	<u>34,128,785</u>

Amounts due to directors and related parties, which arose mainly from expenses paid on behalf and advances, were unsecured, interest-free and repayable on demand.

Provision for rebates represent rebates granted to the purchasers of the property development of the Enlarged MCT Group. The movement of said provision is as follows:

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
At beginning of year	20,508,295	6,179,397	57,338
Addition during the year	10,834,434	14,328,898	6,122,059
	<u>31,342,729</u>	<u>20,508,295</u>	<u>6,179,397</u>



Provision for liquidated damages represent late payment charges for late delivery of the property development to the purchasers.

Deposits received represent deposits received from the purchasers of the property development of the Enlarged MCT Group.

Related parties refer to companies in which certain directors have interests.

6.32 Cash and Cash Equivalents

Cash and cash equivalents included in the combined statement of cash flows comprise the following:

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Fixed deposits with licensed banks	16,967,227	14,022,159	24,127,872
Deposits under Housing Development Accounts	4,393,334	1,784,616	1,433,116
Cash and bank balances	81,647,594	26,167,132	34,378,709
	<u>103,008,155</u>	<u>41,973,907</u>	<u>59,939,697</u>
Less: Fixed deposits pledged with licensed banks (Note 6.27)	(14,266,847)	(11,396,255)	(17,889,375)
Less: Bank overdrafts (Note 6.27)	(563,550)	(47,720)	(4,502,230)
	<u>88,177,758</u>	<u>30,529,932</u>	<u>37,548,092</u>

Deposits held under Housing Development Accounts are maintained in designated Housing Development Accounts pursuant to the Housing Developers (Control and Licensing) Act, 1966 and Housing Development (Housing Development Account) Regulations, 1991 in connection with the Enlarged MCT Group’s property development projects. The utilisation of these balances are restricted, before completion of the housing development and fulfilling all relevant obligations to the purchasers, the cash could only be withdrawn from such accounts for the purpose of completing the particular projects concerned.

Fixed deposits with licensed banks earn interest at rates ranging from 2.55% to 3.35% (30.6.2013: 2.55% to 3.35%; 30.6.2012: 2.55% to 3.30%) per annum and have maturity periods ranging from 30 to 365 days (30.6.2013: 30 to 365 days; 30.6.2012: 30 days).



6.33 **Financial Instruments**

(a) **Capital Risk Management**

The objective of the Enlarged MCT Group’s capital management is to safeguard the Enlarged MCT Group’s ability to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Enlarged MCT Group’s overall strategy remains unchanged since previous financial years.

The capital structure of the Enlarged MCT Group consists of debts and equity of the Enlarged MCT Group.

The Enlarged MCT Group reviews the capital structure on a regular basis. As part of this review, the Enlarged MCT Group considers the cost of capital and the risks associated with each class of capital.

Gearing Ratio

The gearing ratio at end of the reporting period was as follows:

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Total debts	232,477,498	146,372,885	135,221,794
Less: Fixed deposits and cash and bank balances (excluding Fixed deposits pledged with licensed banks) (Note 6.32)	(88,741,308)	(30,577,652)	(42,050,322)
Net debts	143,736,190	115,795,233	93,171,472
Equity	191,886,114	110,997,888	73,761,000
Debt to equity ratio	75%	104%	126%

Debts are defined as borrowings and hire purchase payables as disclosed in Notes 6.27 and 6.28 respectively.

Equity includes share capital, retained earnings and non-controlling interests.

(b) **Significant accounting policies**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial assets, financial liabilities and equity instruments are disclosed in Note 6.7.



(c) Categories of financial instruments

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Financial assets			
Available-for-sale investment	231,549	226,347	300,259
Loan and receivables:			
Trade receivables	57,280,990	18,673,742	29,617,041
Other receivables and deposits (Note 6.24)	43,888,777	15,117,769	8,952,145
Amount due from ultimate holding company	5,000,000	5,000,000	5,000,000
Fixed deposits, cash and bank balances	16,967,227	14,022,159	24,127,872
Cash and bank balances	<u>86,040,928</u>	<u>27,951,748</u>	<u>35,811,825</u>
Financial liabilities			
At amortised cost:			
Borrowings (Note 6.27)	226,789,198	140,402,446	131,882,102
Hire-purchase payables (Note 6.28)	5,688,300	5,970,439	3,339,692
Trade payables	70,353,266	58,363,815	19,297,157
Other payables and accrued expenses (Note 6.31)	72,820,475	45,507,700	23,782,273
Amount due to ultimate holding company	<u>-</u>	<u>-</u>	<u>22,748</u>

(d) Financial Risk Management Objectives and Policies

The operations of the Enlarged MCT Group are subject to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Enlarged MCT Group’s financial risk management principal objective is to minimise the Enlarged MCT Group’s exposure to risks and/or costs associated with the financing, investing and operating activities.

(e) Credit Risk Management

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Enlarged MCT Group’s exposure to credit risk in relation to its trade and other receivables and intercompany balances, should all its customers fail to perform their obligations as at 30 June 2014, is the carrying amount of these receivables as disclosed in combined statement of financial position.

The Enlarged MCT Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, except for amount due from ultimate holding company and trade receivables as disclosed in the combined statement of financial position and Note 6.23 respectively. The Enlarged MCT Group defines counterparties having similar characteristics if they are related entities.



(f) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with management of the Enlarged MCT Group, which has established an appropriate liquidity risk management framework for the management of the Enlarged MCT Group's short-term, medium and long-term funding and liquidity management requirements. The Enlarged MCT Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the liquidity analysis for its financial liabilities based on the contractual maturity of these financial instruments. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest contractual date on which the Enlarged MCT Group can be required to pay.

	Less than 1 year RM	1 to 5 years RM	More than 5 years RM	Total RM
FYE 30 June 2014				
Financial liabilities				
Non-interest bearing:				
Trade payables	70,353,266	-	-	70,353,266
Other payables and accrued expenses	72,820,475	-	-	72,820,475
	143,173,741	-	-	143,173,741
Interest bearing:				
Borrowings	58,290,480	135,338,735	47,901,281	241,530,496
Hire purchase payables	2,379,483	3,868,036	-	6,247,519
	60,669,963	139,206,771	47,901,281	247,778,015
	<u>203,843,704</u>	<u>139,206,771</u>	<u>47,901,281</u>	<u>390,951,756</u>
FYE 30 June 2013				
Financial liabilities				
Non-interest bearing:				
Trade payables	58,363,815	-	-	58,363,815
Other payables and accrued expenses	45,507,700	-	-	45,507,700
	103,871,515	-	-	103,871,515
Interest bearing:				
Borrowings	32,583,185	76,281,655	40,663,767	149,528,607
Hire purchase payables	2,815,300	3,628,798	-	6,444,098
	35,398,485	79,910,453	40,663,767	155,972,705
	<u>139,270,000</u>	<u>79,910,453</u>	<u>40,663,767</u>	<u>259,844,220</u>



	Less than 1 year RM	1 to 5 years RM	More than 5 years RM	Total RM
FYE 30 June 2012				
Financial liabilities				
Non-interest bearing:				
Trade payables	19,297,157	-	-	19,297,157
Other payables and accrued expenses	23,782,273	-	-	23,782,273
Amount due to ultimate holding company	22,748	-	-	22,748
	43,102,178	-	-	43,102,178
Interest bearing:				
Borrowings	20,537,233	97,740,108	22,177,099	140,454,440
Hire purchase payables	1,632,474	2,006,192	-	3,638,666
	22,169,707	99,746,300	22,177,099	144,093,106
	<u>65,271,885</u>	<u>99,746,300</u>	<u>22,177,099</u>	<u>187,195,284</u>

(g) Cash Flow Risk

The Enlarged MCT Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

(h) Fair Values

The carrying amounts of the financial instruments approximate their fair values as these financial assets and financial liabilities have short-term maturity or are repayable on demand except for the following:

The carrying amounts of current financial liabilities are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting period. The fair value of long-term financial liabilities are determined by the present value of future cash flow estimated and discounted using the current interest rates for similar instruments at the end of the reporting date. There is no material difference between the fair values and carrying values of these liabilities as at the end of the reporting period. The Enlarged MCT Group's long-term loans bear interest at floating rate and hence their carrying amount approximates fair value.



(i) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
FYE 30 June 2014				
Financial Assets				
Available-for-sale financial assets	231,549	-	-	231,549
FYE 30 June 2013				
Financial Assets				
Available-for-sale financial assets	226,347	-	-	226,347
FYE 30 June 2012				
Financial Assets				
Available-for-sale financial assets	300,259	-	-	300,259

6.34 Significant Related Party Transactions

During the financial year, the significant related party transactions entered by the Enlarged MCT Group, which were determined based on negotiations agreed between the parties, are as follows:

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Rental of premises paid/payable to its ultimate holding company	15,000	36,000	36,000
Provision of plan submission services paid/payable to a related party	1,453,260	1,040,920	976,260
Rental of premises received/receivable from a related party	-	-	71,704
Sales of properties to related parties	-	12,796,000	11,971,600
Sales of properties to persons related to the directors	-	11,471,200	5,924,400
Sales of properties to the directors	-	8,572,900	8,953,000

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Related parties refer to companies in which directors have interests.

6.35 Commitments

At the end of the reporting period, the Enlarged MCT Group has the following purchase commitments:

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Purchase of property, plant and equipment	7,072,662	6,939,604	3,147,729
Rental commitments from leaseback arrangement*	<u>26,464,349</u>	<u>22,577,926</u>	<u>20,763,918</u>
	<u>33,537,011</u>	<u>29,517,530</u>	<u>23,911,647</u>

* Represents rental commitment on properties under leaseback arrangement which the Enlarged MCT Group has yet to secure tenancies with third parties at the end of the reporting period.

6.36 Contingent Liabilities

At the end of the reporting period, the Enlarged MCT Group has the following contingent liabilities:

	FYE 30 June 2014 RM	FYE 30 June 2013 RM	FYE 30 June 2012 RM
Financial guarantees provided in favour of third parties pursuant to the construction projects of the Enlarged MCT Group	6,086,500	5,294,500	3,010,000
Corporate guarantee provided to ultimate holding company for banking facilities	<u>1,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>

6.37 Material Litigations

There was a suit filed on 4 December 1996 by Chellappa A/L Kalimuthu (suing as a public officer of Sri Maha Mariamman Temple, Hicom, Shah Alam, Selangor pursuant to Section 9(c) of the Society Act 1996) on behalf of a society (“**Society**”) (“**Plaintiff**”). The suit is relating to a claim against three parties, namely Sime UEP Properties Bhd, Pengarah Perancang Bandar dan Desa Negeri Selangor Darul Ehsan, and Kerajaan Negeri Selangor Darul Ehsan in relation to the portion of the land owned by OCD and held under Geran 284076, Lot 81278 Mukim Damansara, Daerah Petaling, Negeri Selangor (“**Master Title**”) on which an Indian Temple, Kuil Sri Maha Mariamman (“**Existing Temple**”) was erected (“**Land Portion**”). The Plaintiff, had then on 19 February 2010, filed an application to add OCD, as the fourth defendant, being the registered proprietor of the Master Title and such application was allowed on 29 March 2010.

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There is also another court case involving the Plaintiff and one other group which is led by Nagaraju a/l Merganathan (“**Nagaraju**”) and some of its committee members in Suit No. 22 – 491-2001 in the High Court in Shah Alam claiming for the control and management of the Society and the Existing Temple.

The Plaintiff is claiming, among other reliefs, an order that the Land Portion (measuring approximately one acre), be alienated to the Plaintiff.

On 11 March 2014, the parties have recorded a consent judgment in relation to the matter (“**Consent Judgment**”) and the sealed Consent Judgment has been extracted from the High Court. Accordingly, the matter has been amicably settled subject to the fulfillment of the terms stated in the Consent Judgment by the parties involved, which include, *inter-alia*, the following:

- (a) Nagaraju and all parties who are in possession of/or management of the Existing Temple shall vacate and deliver the vacant possession of the Land Portion to OCD within two months from the date of a written notification from the solicitors acting for OCD, informing *inter alia* the completion of the construction of a new temple by OCD on another piece of land owned by it and the date of occupation of such new temple (“**Written Notification**”). The Written Notification has been issued on 13 January 2015 and Nagaraju and all the respective parties who are in possession of/or management of the Existing Temple shall vacate and deliver the vacant possession of the Land Portion to OCD within 2 months from the Written Notification, by no later than 12 March 2015.
- (b) OCD shall deposit a sum of RM1.5 million with its solicitors as stakeholders, for which a portion of such sum will be utilised for the construction of a new temple with water and electricity supplied in accordance with the plan and specifications as attached to the annexures of the Consent Judgment. OCD has on 18 September 2014 deposited a sum of RM1.5 million with its solicitors as stakeholders.
- (c) After the management body, and all parties who are in possession of or management of the Existing Temple have vacated and delivered vacant possession of the Land Portion to OCD, the management body of the Existing Temple shall be entitled to vacant possession of an additional piece of land measuring one acre which currently belongs to the Government to be given to and for the benefit of the Existing Temple.
- (d) Thereafter, the Plaintiff and Nagaraju shall have no interest whatsoever in the Land Portion and they (whether by themselves, their servants or agents) are restrained from entering/registering any encumbrances (including private caveat) over the Land Portion and neither shall OCD have any claim whatsoever against the Plaintiff and/or Nagaraju following the vacant possession of the Land Portion being delivered to OCD.

The Enlarged MCT Group is of the opinion that in any event the claim to the Land Portion will not unduly affect the ongoing construction development on the said land as the Existing Temple is not sited on the relevant part of the land which has been approved for development.



6.38 Events After The End of The Reporting Period

- (a) The Enlarged MCT Group had on 17 October 2014 disposed off its entire equity interest in its associate, KAS Engineering Sdn Bhd for a cash consideration of RM3,000,000. The disposal resulted in a gain of RM14,045.
- (b) The Enlarged MCT Group had on 12 January 2015 incorporated a new subsidiary, OR.
- (c) The Enlarged MCT Group, via PC (as developer), had on 16 January 2015 entered into a Joint Venture Agreement (“JVA”) with My Success Property Sdn Bhd (“MSP”) (as landowner) for the purposes of undertaking the development of a project on a vacant land held under H.S.(D) 460658, PTD 148898 in the Mukim of Tebrau, District of Johor Bahru, State of Johor, measuring approximately 299,660 square feet (7 acres) on a joint venture basis, pursuant to which MSP shall contribute the land and PC shall contribute and bear the entire costs and expenses for such development in accordance with the relevant requisite approvals, layout and building plan to be obtained from the relevant authorities. PC shall be liable to repay an existing banking facility of RM40 million obtained by MSP in accordance with the security documents entered into by MSP, together with interest accrued thereon as prescribed under the relevant security documents, and pay to MSP a further cash consideration of RM25 million as landowner’s entitlement within a period of 5 years from the date of the JVA. The transaction is currently pending completion in accordance with the terms of the JVA.

6.39 Segment Reporting

Segment information is presented in respect of the Enlarged MCT Group’s business segments, which reflect the Enlarged MCT Group’s internal reporting structure that are regularly reviewed by the Enlarged MCT Group’s chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. For management purposes, the Enlarged MCT Group is organised into the following operating divisions:

- (i) Property development - Property development of residential and commercial properties
- (ii) Construction activities - Construction, providing civil and mechanical engineering services
- (iii) Others - Investment holding

No information on geographical areas is presented as the Enlarged MCT Group operates mainly in Malaysia.

APPENDIX VI – ACCOUNTANTS' REPORT (CONT'D)

Information regarding the Enlarged MCT Group's reportable segments is presented below:

FYE 30 June 2014	Property development RM	Construction activities RM	Others RM	Total RM	Elimination RM	Combined Enlarged MCT Group RM
Revenue						
External revenue	295,930,762	87,456,501	-	383,387,263	-	383,387,263
Inter-segment revenue	47,059,400	204,200,398	140,112,723	391,372,521	(391,372,521)	-
Total Revenue	342,990,162	291,656,899	140,112,723	774,759,784	(391,372,521)	383,387,263
Results						
Operating profit	130,135,571	(16,248,786)	(12,959,135)	100,927,650	(2,114,914)	98,812,736
Interest income	225,148	88,692	387,909	701,749	-	701,749
Finance costs	-	(477,520)	(2,470,687)	(2,948,207)	-	(2,948,207)
Share of results of associate						22,304
Profit before tax						98,588,582
Income tax expense						(15,800,353)
Profit after tax						80,788,229
Assets and liabilities						
Segment assets	730,082,618	289,721,399	326,645,019	1,346,449,036	(666,124,970)	680,324,066
Tax recoverable	1,675,000	-	219,332	1,894,332	-	1,894,332
Total assets	731,757,618	289,721,399	326,864,351	1,348,343,368	(666,124,970)	682,218,398
Segment liabilities	502,988,323	224,261,729	238,611,573	965,861,625	(513,432,637)	452,428,988
Tax and deferred tax liabilities	35,608,290	2,020,890	274,116	37,903,296	-	37,903,296
Total liabilities	538,596,613	226,282,619	238,885,689	1,003,764,921	(513,432,637)	490,332,284

APPENDIX VI – ACCOUNTANTS' REPORT (CONT'D)

FYE 30 June 2013	Property development RM	Construction activities RM	Others RM	Total RM	Elimination RM	Combined Enlarged MCT Group RM
Revenue						
External revenue	235,957,678	43,140,672	1,902,000	281,000,350	-	281,000,350
Inter-segment revenue	42,852,965	211,773,556	89,079,657	343,706,178	(343,706,178)	-
Total Revenue	278,810,643	254,914,228	90,981,657	624,706,528	(343,706,178)	281,000,350
Results						
Operating profit	101,582,631	29,472,146	13,674,283	144,729,060	(64,974,322)	79,754,738
Interest income						967,995
Finance costs						(408,549)
Share of results of associate						(36,349)
Profit before tax						80,277,835
Income tax expense						(35,040,947)
Profit after tax						45,236,888
Assets and liabilities						
Segment assets	382,796,696	201,283,184	214,296,344	798,376,224	(326,276,335)	472,099,889
Tax recoverable	-	-	-	-	-	-
Total assets	382,796,696	201,283,184	214,296,344	798,376,224	(326,276,335)	472,099,889
Segment liabilities	232,279,850	126,183,160	156,435,494	514,898,504	(192,349,016)	322,549,488
Tax and deferred tax liabilities	33,160,394	5,205,151	186,968	38,552,513	-	38,552,513
Total liabilities	265,440,244	131,388,311	156,622,462	553,451,017	(192,349,016)	361,102,001

APPENDIX VI – ACCOUNTANTS' REPORT (CONT'D)

FYE 30 June 2012	Property development RM	Construction activities RM	Others RM	Total RM	Elimination RM	Combined Enlarged MCT Group RM
Revenue						
External revenue	131,656,849	16,218,675	20,943,466	168,818,891	-	168,818,891
Inter-segment revenue	13,606,914	128,428,889	72,207,698	214,243,501	(214,243,501)	-
Total Revenue	145,263,763	144,647,465	93,151,164	383,062,392	(214,243,501)	168,818,891
Results						
Operating profit	40,837,744	16,234,143	25,960,283	83,032,170	(33,700,670)	49,331,500
Interest income						379,971
Finance costs						(449,282)
Profit before tax						49,262,189
Income tax expense						(13,821,255)
Profit after tax						35,440,934
Assets and liabilities						
Segment assets	352,613,978	157,798,645	152,268,345	662,680,968	(251,621,542)	411,059,426
Tax recoverable	46,546	361,550	1,104	409,200	-	409,200
Total assets	352,660,524	158,160,195	152,269,449	663,090,168	(251,621,542)	411,468,626
Segment liabilities	289,064,684	109,498,337	105,258,599	503,821,620	(176,668,543)	327,153,077
Tax and deferred tax liabilities	10,035,895	375,254	143,400	10,554,549	-	10,554,549
Total liabilities	299,100,579	109,873,591	105,401,999	514,376,169	(176,668,543)	337,707,626

APPENDIX VI – ACCOUNTANTS' REPORT (CONT'D)

6.40

Statements of Profit or Loss and Other Comprehensive Income/Income Statements

The individual statements of profit or loss and other comprehensive income/income statements of MCT Consortium Group and Private Entities at the date of the SSA for FYEs 30 June 2013 and 2012 are as follows:

FYE 30 June 2013	Audited											Total RM	
	MCT Consortium Group* RM	RG RM	MCTS RM	SF RM	MCTPM RM	LE RM	ER RM	PC RM	SI RM	SOR RM	TH RM		MCTP RM
Revenue	231,576,084	-	-	-	-	-	-	-	2,724,338	-	-	-	234,300,422
Cost of sales	(187,971,021)	-	-	-	-	-	-	-	(2,476,671)	-	-	-	(190,447,692)
Gross profit	43,605,063	-	-	-	-	-	-	-	247,667	-	-	-	43,852,730
Other operating income	2,512,161	-	-	-	-	-	-	-	1,127	-	-	-	2,513,288
Other operating expenses	(15,459,489)	-	(2,074)	(1,811)	(1,811)	(6,441)	(1,938)	(2,192)	(11,595)	(19,233)	(8,057)	(3,180)	(15,517,821)
Finance costs	(1,180,346)	-	-	-	-	-	-	-	-	-	-	-	(1,180,346)
Share of results of associate	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(Loss) before tax	29,477,389	-	(2,074)	(1,811)	(1,811)	(6,441)	(1,938)	(2,192)	237,199	(19,233)	(8,057)	(3,180)	29,667,851
Income tax expense	(7,733,253)	-	-	-	-	-	-	-	(46,348)	-	-	-	(7,779,601)
Profit/(Loss) for the year	21,744,136	-	(2,074)	(1,811)	(1,811)	(6,441)	(1,938)	(2,192)	190,851	(19,233)	(8,057)	(3,180)	21,888,250
Attributable to:													
Equity holders of the Company	21,744,888	-	(2,074)	(1,811)	(1,811)	(6,441)	(1,938)	(2,192)	190,851	(19,233)	(8,057)	(3,180)	21,889,002
Non-controlling interests	(752)	-	-	-	-	-	-	-	-	-	-	-	(752)
	21,744,136	-	(2,074)	(1,811)	(1,811)	(6,441)	(1,938)	(2,192)	190,851	(19,233)	(8,057)	(3,180)	21,888,250

APPENDIX VI – ACCOUNTANTS' REPORT (CONT'D)

FYE 30 June 2012	Audited											Total RM	
	MCT Consortium Group* RM	RG RM	MCTS RM	SF RM	MCTPM RM	LE RM	ER RM	PC RM	SI RM	SOR RM	TH RM		MCTP RM
Revenue	258,379,761	-	-	-	-	-	-	-	3,515,400	-	-	-	261,895,161
Cost of sales	(211,056,437)	-	-	-	-	-	-	-	(3,510,605)	-	-	-	(214,567,042)
Gross profit	47,323,324	-	-	-	-	-	-	-	4,795	-	-	-	47,328,119
Other operating income	5,192,171	13,832	-	-	-	1	-	-	1,219	-	-	-	5,207,223
Other operating expenses	(12,541,573)	(13,656)	(2,086)	(1,811)	(1,811)	(6,265)	(1,938)	(2,193)	(18,227)	(37,786)	(1,810)	(12,637,236)	
Finance costs	(417,959)	-	-	-	-	-	-	-	-	(1,993,109)	-	-	(2,411,068)
Share of results of associate	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(Loss) before tax	39,555,963	176	(2,086)	(1,811)	(1,811)	(6,264)	(1,938)	(2,193)	(12,213)	(2,030,895)	(1,810)	(1,810)	37,487,038
Income tax expense	(5,937,191)	(2,766)	-	-	-	-	-	-	-	-	-	-	(5,939,957)
Profit/(Loss) for the year	33,618,772	(2,590)	(2,086)	(1,811)	(1,811)	(6,264)	(1,938)	(2,193)	(12,213)	(2,030,895)	(1,810)	(1,810)	31,547,081
Attributable to:													
Equity holders of the Company	33,619,471	(2,590)	(2,086)	(1,811)	(1,811)	(6,264)	(1,938)	(2,193)	(12,213)	(2,030,895)	(1,810)	(1,810)	31,547,780
Non-controlling interests	(699)	-	-	-	-	-	-	-	-	-	-	-	(699)
	33,618,772	(2,590)	(2,086)	(1,811)	(1,811)	(6,264)	(1,938)	(2,193)	(12,213)	(2,030,895)	(1,810)	(1,810)	31,547,081

* MCT Consortium acquired the entire equity interest of MCTS, SF, MCTPM, LE, ER, PC, SI and MCTP at the date of the execution of the supplemental letter agreement to the reorganisation agreement entered into between the Vendors, MCT Consortium, B&G Capital and Dato' Danny Goh pursuant to the reorganisation exercise.

APPENDIX VI – ACCOUNTANTS' REPORT (CONT'D)

6.41

Statements of Financial Position/Balance Sheets

The individual statements of financial position/balance sheets of MCT Consortium Group and Private Entities at the date of the SSA for FYEs 30 June 2013 and 2012 are as follows:

FYE 30 June 2013	Audited											Total RM	
	MCT Consortium Group* RM	RG RM	MCTS RM	SF RM	MCTPM RM	LE RM	ER RM	PC RM	SI RM	SOR RM	TH RM		MCTP RM
ASSETS													
Non-Current Assets													
Property, plant and equipment	53,601,533	-	-	-	-	-	-	-	-	-	-	-	53,601,533
Investment properties	-	23,649,075	-	-	3,278,967	-	-	-	-	-	-	-	26,928,042
Land held for property development	36,830,807	-	-	-	-	-	-	-	2,992,737	37,331,665	-	-	77,155,209
Software development expenditure	112,786	-	-	-	-	-	-	-	-	-	-	-	112,786
Other investments	226,437	-	-	-	-	-	-	-	-	-	-	-	226,437
Goodwill on consolidation	64,616	-	-	-	-	-	-	-	-	-	-	-	64,616
Total Non-Current Assets	90,836,179	23,649,075	-	-	3,278,967	-	-	-	2,992,737	37,331,665	-	-	158,088,623
Current Assets													
Amount due from contract customers	25,765,246	-	-	-	-	-	-	-	-	-	-	-	25,765,246
Property development costs	32,617,499	-	-	-	-	-	-	-	-	68,392,793	-	-	101,010,292
Trade receivables	42,229,983	-	-	-	-	-	-	-	-	-	-	-	42,229,983
Other receivables and deposits	67,570,309	1,025,589	-	-	-	522,344	-	-	-	-	-	-	69,118,242
Amount due from ultimate holding company	5,000,000	-	-	-	-	-	-	-	-	-	-	-	5,000,000
Amount due from related companies	103,917	-	-	-	-	-	-	-	-	115,500	-	-	219,417
Deposits with licensed banks	14,022,159	-	-	-	-	-	-	-	-	-	-	-	14,022,159
Cash and bank balances	24,905,935	450,155	5,426	3	3,948	3	3	3	97,370	1,059,731	1,135,858	2	27,658,437
Total Current Assets	212,215,048	1,475,744	5,426	3	526,292	3	3	3	97,370	1,175,231	69,528,651	2	285,023,776
Total Assets	303,051,227	25,124,819	5,426	3	3,805,259	3	3	3	3,090,107	38,506,896	69,528,651	2	443,112,399

APPENDIX VI – ACCOUNTANTS' REPORT (CONT'D)

	← Audited →												
	MCT Consortium Group* RM	RG RM	MCTS RM	SF RM	MCTPM RM	LE RM	ER RM	PC RM	SI RM	SOR RM	TH RM	MCTP RM	Total RM
EQUITY AND LIABILITIES													
Capital and Reserves													
Share capital	18,600,000	3,000,000	100,000	3	500,000	3	3	3	3	1,000,000	1,000,000	2	24,200,017
Retained earnings/ (Accumulated losses)	58,273,681	(429)	(105,864)	(7,225)	(7,205)	(23,788)	(7,575)	(7,824)	511,210	(90,858)	(61,819)	(18,077)	58,454,227
Non-controlling interests	76,873,681	2,999,571	(5,864)	(7,222)	(7,202)	476,212	(7,572)	(7,821)	511,213	909,142	938,181	(18,075)	82,654,244
	433	-	-	-	-	-	-	-	-	-	-	-	433
Total Equity	76,874,114	2,999,571	(5,864)	(7,222)	(7,202)	476,212	(7,572)	(7,821)	511,213	909,142	938,181	(18,075)	82,654,677
Non-Current Liabilities													
Hire-purchase payables	3,359,200	-	-	-	-	-	-	-	-	-	-	-	3,359,200
Borrowings	42,890,886	21,032,914	-	-	3,168,027	-	-	-	-	15,809,885	28,467,076	-	111,368,788
Deferred tax liabilities	639,043	-	-	-	-	-	-	-	-	-	-	-	639,043
Total Non-Current Liabilities	46,889,129	21,032,914	-	-	3,168,027	-	-	-	-	15,809,885	28,467,076	-	115,367,031
Current Liabilities													
Trade payables	119,756,833	-	-	-	-	-	-	-	-	-	-	-	119,756,833
Other payables and accrued expenses	43,523,221	9,502	11,290	7,225	7,205	98,497	7,575	7,824	2,532,546	14,362,156	30,109,955	18,077	90,695,073
Amount due to related companies	740	-	-	-	-	-	-	-	-	-	-	-	740
Hire-purchase payables	2,632,780	-	-	-	-	-	-	-	-	-	-	-	2,632,780
Borrowings	10,406,381	1,077,882	-	-	62,523	-	-	-	-	7,425,713	10,013,439	-	28,985,938
Tax liabilities	2,968,029	4,950	-	-	-	-	-	-	46,348	-	-	-	3,019,327
Total Current Liabilities	179,287,984	1,092,334	11,290	7,225	7,205	161,020	7,575	7,824	2,578,894	21,787,869	40,123,394	18,077	245,090,691
Total Liabilities	226,177,113	22,125,248	11,290	7,225	7,205	3,329,047	7,575	7,824	2,578,894	37,597,754	68,590,470	18,077	360,457,722
Total Equity and Liabilities	303,051,227	25,124,819	5,426	3	3,805,259	3	3	3,090,107	38,506,896	69,528,651	2	443,112,399	

APPENDIX VI -- ACCOUNTANTS' REPORT (CONT'D)

FYE 30 June 2012	Audited													Total RM
	MCT Consortium Group* RM	RG RM	MCTS RM	SF RM	MCTPM RM	LE RM	ER RM	PC RM	SI RM	SOR RM	TH RM	MCTP RM		
ASSETS														
Non-Current Assets														
Property, plant and equipment	33,662,313	-	-	-	-	-	-	-	-	-	-	-	33,662,313	
Investment properties	-	24,971,825	-	-	-	3,773,627	-	-	-	-	-	-	28,745,452	
Land held for property development	35,662,392	-	-	-	-	-	-	-	5,469,409	32,739,382	-	-	73,871,183	
Other investments	300,259	-	-	-	-	-	-	-	-	-	-	-	300,259	
Goodwill on consolidation	95,188	-	-	-	-	-	-	-	-	-	-	-	95,188	
Total Non-Current Assets	69,720,152	24,971,825	-	-	-	3,773,627	-	-	5,469,409	32,739,382	-	-	136,674,395	
Current Assets														
Amount due from contract customers	21,961,445	-	-	-	-	-	-	-	-	-	-	-	21,961,445	
Property development costs	8,436,986	-	-	-	-	-	-	-	-	64,456,887	-	-	72,893,873	
Trade receivables	32,042,534	-	-	-	-	-	-	-	-	-	-	-	32,042,534	
Other receivables and deposits	47,100,705	1,025,589	-	-	-	500,000	-	-	-	-	-	-	48,626,294	
Amount due from ultimate holding company	4,977,252	-	-	-	-	-	-	-	-	-	-	-	4,977,252	
Amount due from related companies	-	-	-	-	-	-	-	-	-	115,500	-	-	115,500	
Deposits with licensed banks	24,090,653	-	-	-	-	-	-	-	37,219	-	-	-	24,127,872	
Cash and bank balances	31,561,498	1,657,865	70	3	3	1,363	3	3	1,204,149	193,964	880,408	2	35,499,331	
Total Current Assets	170,171,073	2,683,454	70	3	3	501,363	3	3	1,241,368	309,464	65,337,295	2	240,244,101	
Total Assets	239,891,225	27,655,279	70	3	3	4,274,990	3	3	6,710,777	33,048,846	65,337,295	2	376,918,496	

APPENDIX VI – ACCOUNTANTS’ REPORT (CONT’D)

FYE 30 June 2012	Audited											Total RM				
	MCT Consortium Group* RM	RG RM	MCTS RM	SF RM	MCTPM RM	LE RM	ER RM	PC RM	SI RM	SOR RM	TH RM		MCTP RM			
EQUITY AND LIABILITIES																
Capital and Reserves																
Share capital	18,600,000	3,000,000	100,000	3	3	500,000	3	3	3	1,000,000	1,000,000	2				24,200,017
Retained earnings/ (Accumulated losses)	44,528,793	(6,802)	(103,790)	(5,414)	(5,394)	(17,347)	(5,637)	(5,632)	(25,906)	(2,692,147)	(53,762)	(14,897)				41,592,065
Non-controlling interests	63,128,793	2,993,198	(3,790)	(5,411)	(5,391)	482,653	(5,634)	(5,629)	(25,903)	(1,692,147)	946,238	(14,895)				65,792,082
	1,185	-	-	-	-	-	-	-	-	-	-	-				1,185
Total Equity	63,129,978	2,993,198	(3,790)	(5,411)	(5,391)	482,653	(5,634)	(5,629)	(25,903)	(1,692,147)	946,238	(14,895)				65,793,267
Non-Current Liabilities																
Hire-purchase payables	1,841,352	-	-	-	-	-	-	-	-	-	-	-				1,841,352
Borrowings	34,232,384	12,500,000	-	-	-	2,425,615	-	-	-	25,323,837	37,857,052	-				112,338,888
Deferred tax liabilities	375,312	-	-	-	-	-	-	-	-	-	-	-				375,312
Total Non-Current Liabilities	36,449,048	12,500,000	-	-	-	2,425,615	-	-	-	25,323,837	37,857,052	-				114,555,552
Current Liabilities																
Trade payables	118,145,340	-	-	-	-	-	-	-	-	-	-	-				118,145,340
Other payables and accrued expenses	6,581,978	12,159,315	3,860	5,414	5,394	1,366,722	5,637	5,632	6,736,680	9,417,156	19,097,943	14,897				55,400,628
Hire-purchase payables	1,500,473	-	-	-	-	-	-	-	-	-	-	-				1,500,473
Borrowings	12,107,152	-	-	-	-	-	-	-	-	-	7,436,062	-				19,543,214
Tax liabilities	1,977,256	2,766	-	-	-	-	-	-	-	-	-	-				1,980,022
Total Current Liabilities	140,312,199	12,162,081	3,860	5,414	5,394	1,366,722	5,637	5,632	6,736,680	9,417,156	26,534,005	14,897				196,569,677
Total Liabilities	176,761,247	24,662,081	3,860	5,414	5,394	3,792,337	5,637	5,632	6,736,680	34,740,993	64,391,057	14,897				311,125,229
Total Equity and Liabilities	239,891,225	27,655,279	70	3	3	4,274,990	3	3	6,710,777	33,048,846	65,337,295	2				376,918,496

* MCT Consortium acquired the entire equity interest of MCTS, SF, MCTPM, LE, ER, PC, SI and MCTP at the date of the execution of the supplemental letter agreement to the reorganisation agreement entered into between the Vendors, MCT Consortium, B&G Capital and Dato’ Danny Goh pursuant to the reorganisation exercise.

APPENDIX VI – ACCOUNTANTS' REPORT (CONT'D)

6.42

Adjustments
(i) Combined Statement of Profit or Loss and Other Comprehensive Income

	FYE 30 June 2013			FYE 30 June 2012		
	Total as per Note 6.40 RM	Adjustments RM	Combined Enlarged MCT Group RM	Total as per Note 6.40 RM	Adjustments RM	Combined Enlarged MCT Group RM
Revenue	234,300,422	46,699,928	281,000,350	261,895,161	(93,076,270)	168,818,891
Cost of sales	(190,447,692)	21,771,587	(168,676,105)	(214,567,042)	116,485,554	(98,081,488)
Gross profit	43,852,730		112,324,245	47,328,119		70,737,403
Other income	2,513,288	851,910	3,365,198	5,207,223	(4,263,583)	943,640
Other operating expenses	(15,517,821)	(19,448,889)	(34,966,710)	(12,637,236)	(9,332,336)	(21,969,572)
Finance costs	(1,180,346)	771,797	(408,549)	(2,411,068)	1,961,786	(449,282)
Share of results of associate	-	(36,349)	(36,349)	-	-	-
Profit before tax	29,667,851		80,277,835	37,487,038		49,262,189
Income tax expense	(7,779,601)	(27,261,346)	(35,040,947)	(5,939,957)	(7,881,298)	(13,821,255)
Profit for the year	21,888,250		45,236,888	31,547,081		35,440,934
Other comprehensive income for the year	-		-	-		-
Total comprehensive income for the year	21,888,250		45,236,888	31,547,081		35,440,934
Attributable to:						
Equity holders of the company	21,889,002	23,348,638	45,237,640	31,547,780	3,893,853	35,441,633
Non-controlling interests	(752)	-	(752)	(699)	-	(699)
	<u>21,888,250</u>		<u>45,236,888</u>	<u>31,547,081</u>		<u>35,440,934</u>

APPENDIX VI – ACCOUNTANTS' REPORT (CONT'D)
(ii) Combined Statement of Financial Position

	FYE 30 June 2013			FYE 30 June 2012		
	Total as per Note 6.41 RM	Adjustments RM	Combined Enlarged MCT Group RM	Total as per Note 6.41 RM	Adjustments RM	Combined Enlarged MCT Group RM
ASSETS						
Non-Current Assets						
Property, plant and equipment	53,601,533	2,498,473	56,100,006	33,662,313	(6,260,932)	27,401,381
Software development expenditure	112,786	(112,786)	-	-	-	-
Investment properties	26,928,042	51,797,135	78,725,177	28,745,452	16,212,177	44,957,629
Land held for property development	77,155,209	(77,155,209)	-	73,871,183	75,179,394	149,050,577
Investment in associate	-	2,963,651	2,963,651	-	-	-
Available-for-sale investments	226,437	(90)	226,347	300,259	-	300,259
Goodwill on consolidation	64,616	3,207,674	3,272,290	95,188	3,177,102	3,272,290
Total Non-Current Assets	158,088,623		141,287,471	136,674,395		224,982,136
Current Assets						
Property development costs	101,010,292	78,962,471	179,972,763	72,893,873	(38,770,741)	34,123,132
Amount due from contract customers	25,765,246	43,824,690	69,589,936	21,961,445	26,185,521	48,146,966
Trade receivables	42,229,983	(23,556,241)	18,673,742	32,042,534	(2,425,493)	29,617,041
Other receivables and deposits	69,118,242	(53,516,172)	15,602,070	48,626,294	(39,375,840)	9,250,454
Amount due from ultimate holding company	5,000,000	-	5,000,000	4,977,252	22,748	5,000,000
Amount due from related companies	219,417	(219,417)	-	115,500	(115,500)	-
Tax recoverable	-	-	-	-	409,200	409,200
Deposits with licensed banks	14,022,159	-	14,022,159	24,127,872	-	24,127,872
Cash and bank balances	27,658,437	293,311	27,951,748	35,499,331	312,494	35,811,825
Total Current Assets	285,023,776		330,812,418	240,244,101		186,486,490
Total Assets	443,112,399		472,099,889	376,918,496		411,468,626

APPENDIX VI – ACCOUNTANTS' REPORT (CONT'D)

	FYE 2013		FYE 2012		
	Total as per Note 6.41 RM	Adjustments RM	Total as per Note 6.41 RM	Adjustments RM	Combined Enlarged MCT Group RM
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	24,200,017	24,200,017	24,200,017	24,200,017	24,200,017
Retained earnings	58,454,227	28,343,211	41,592,065	7,967,733	49,559,798
Non-controlling interests	82,654,244	110,997,455	65,792,082	-	73,759,815
	433	433	1,185	-	1,185
Total Equity	82,654,677	110,997,888	65,793,267	73,761,000	73,761,000
Non-Current Liabilities					
Borrowings	111,368,788	(1,560,881)	112,338,888	259,428	112,598,316
Hire-purchase payables	3,359,200	2,871	1,841,352	-	1,841,352
Deferred tax liabilities	639,043	(44,673)	375,312	(1)	375,311
Total Non-Current Liabilities	115,367,031	113,764,348	114,555,552	114,814,979	114,814,979
Current Liabilities					
Progress billings	-	12,087,725	-	86,441,924	86,441,924
Amount due to contract customers	-	42,060,046	-	52,040,669	52,040,669
Trade payables	119,756,833	(61,393,018)	118,145,340	(98,848,183)	19,297,157
Other payables and accrued expenses	90,695,073	(27,030,056)	55,400,628	(21,271,843)	34,128,785
Amount due to ultimate holding company	-	-	-	22,748	22,748
Amount due to related companies	740	(740)	-	-	-
Borrowings	28,985,938	1,608,601	19,543,214	(259,428)	19,283,786
Hire-purchase payables	2,632,780	(24,412)	1,500,473	(2,133)	1,498,340
Tax liabilities	3,019,327	34,938,816	1,980,022	8,199,216	10,179,238
Total Current Liabilities	245,090,691	247,337,653	196,569,677	222,892,647	222,892,647
Total Liabilities	360,457,722	361,102,001	311,125,229	337,707,626	337,707,626
Total Equity and Liabilities	443,112,399	472,099,889	376,918,496	411,468,626	411,468,626



(iii) **Notes to Adjustments**

The adjustments relates mainly to the following:

- (a) Revenue and cost of sales recognition and the related property development costs, progress billings and amount due from/to contract customers in respect of property development and construction contracts using the percentage of completion method in accordance with FRS 201: *Property Development Activities* and FRS 111: *Construction Contracts* respectively.
- (b) Charging to profit or loss the cost arising from the Developer Interest Bearing Scheme and other related marketing expenses.
- (c) Recognition of share of results of associate.
- (d) Reclassification of certain other income and other operating expenses items previously offset against each other.
- (e) Reversal of amortisation of goodwill on consolidation.
- (f) Elimination of intercompany profits and balances within the Enlarged MCT Group.
- (g) Recognition of investment properties previously charged to cost of sales.
- (h) Reclassification of the following:
 - (1) software development expenditure to property, plant and equipment;
 - (2) land held for property development to property development costs;
 - (3) bank overdrafts previously wrongly classified as cash and bank balances; and
 - (4) borrowings previously classified as non-current to current.
- (i) Unrecorded liabilities pertaining to purchases and sub-contractor claims.
- (j) Related current and deferred tax implications arising from the above adjustments.

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6.43 Audited Financial Statements

As of the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 30 June 2014 for the individual entities within the Enlarged MCT Group.

Yours faithfully,



DELOITTE
AF 0080
Chartered Accountants



HUANG KHEAN YEONG
Partner – 2993/05/16 (J)
Chartered Accountant

**APPENDIX VII UNAUDITED COMBINED FINANCIAL STATEMENTS OF THE ENLARGED
MCT GROUP FOR FPE 31 DECEMBER 2014 INCLUDING THE
EXPLANATORY NOTES THEREON**

MCT CONSORTIUM BERHAD

(Co. No. 673995-D)

A-03-02 (3rd Floor), Sky Park @ One City,

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The Enlarged MCT Group

Interim Financial Report for the 6-month
Financial Period Ended ("FPE") 31 December 2014

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.....
Ranny Wong
CFO

**APPENDIX VII UNAUDITED COMBINED FINANCIAL STATEMENTS OF THE ENLARGED
MCT GROUP FOR FPE 31 DECEMBER 2014 INCLUDING THE
EXPLANATORY NOTES THEREON (CONT'D)**

Combined Statement of Financial Position

	(Unaudited) 6-month FPE 31-Dec 2014 RM	(Unaudited) 6-month FPE 31-Dec 2013 RM
ASSETS		
Non-Current Assets		
Property, plant and equipment	91,082,515	60,068,552
Investment properties	238,329,061	75,469,837
Land held for property development	33,623,388	-
Investment in associate	-	2,960,618
Available-for-sale investments	334,655	228,832
Goodwill on consolidation	3,272,290	3,272,290
Total Non-Current Assets	<u>366,641,909</u>	<u>142,000,129</u>
Current Assets		
Inventory	419,352	-
Property development costs	165,578,169	199,803,865
Accrued billings	81,016,471	23,484,335
Amount due from contract customers	15,414,236	46,583,833
Trade receivables	88,611,684	39,201,681
Other receivables and deposits	20,590,217	48,421,713
Amount due from ultimate holding company	5,000,000	6,080,156
Amount due from directors	-	500,000
Tax recoverable	4,012,562	151,902
Deposits with licensed banks	15,644,894	14,918,686
Cash and bank balances	51,517,819	27,311,431
	<u>447,805,404</u>	<u>406,457,602</u>
Assets classified as held for sale	-	17,438,598
Total Current Assets	<u>447,805,404</u>	<u>423,896,200</u>
Total Assets	<u>814,447,314</u>	<u>565,896,329</u>
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	23,700,000	24,200,017
Retained earnings	218,427,026	126,431,580
	242,127,026	150,631,597
Non-controlling interests	(1,401)	433
Total Equity	<u>242,125,625</u>	<u>150,632,030</u>

**APPENDIX VII UNAUDITED COMBINED FINANCIAL STATEMENTS OF THE ENLARGED
MCT GROUP FOR FPE 31 DECEMBER 2014 INCLUDING THE
EXPLANATORY NOTES THEREON (CONT'D)**

Combined Statement of Financial Position (Cont'd.)

		(Unaudited) 6-month FPE 31-Dec 2014 RM	(Unaudited) 6-month FPE 31-Dec 2013 RM
Non-Current Liabilities			
Borrowings	19	198,744,721	100,726,881
Hire-purchase payables	19	3,534,729	2,668,722
Deferred tax liabilities		-	594,370
		<u> </u>	<u> </u>
Total Non-Current Liabilities		<u>202,279,450</u>	<u>103,989,973</u>
Current Liabilities			
Progress billings		7,239,968	82,665,700
Amount due to contract customers		1,131,646	-
Trade payables		113,628,016	33,547,401
Other payables and accrued expenses		112,612,815	54,727,908
Amount due to ultimate holding company		-	9,521
Amount due to directors		-	40,714,593
Bank overdrafts	19	3,706,340	19,283,197
Borrowings	19	85,133,471	27,742,395
Hire-purchase payables	19	2,699,773	2,096,853
Tax liabilities		43,890,210	50,486,758
		<u> </u>	<u> </u>
Total Current Liabilities		<u>370,042,239</u>	<u>311,274,326</u>
Total Liabilities		<u>572,321,689</u>	<u>415,264,299</u>
Total Equity and Liabilities		<u>814,447,314</u>	<u>565,896,329</u>

**APPENDIX VII UNAUDITED COMBINED FINANCIAL STATEMENTS OF THE ENLARGED
MCT GROUP FOR FPE 31 DECEMBER 2014 INCLUDING THE
EXPLANATORY NOTES THEREON (CONT'D)**

Combined Statement of Profit or Loss and Other Comprehensive Income

	Note	(Unaudited) 6-month FPE 31-Dec 2014 RM	(Unaudited) 6-month FPE 31-Dec 2013 RM
Revenue		269,630,341	100,816,284
Cost of sales		<u>(165,044,488)</u>	<u>(68,336,272)</u>
Gross profit		104,585,853	32,480,012
Other income		1,881,976	30,133,808
Other operating expenses		(39,771,980)	(18,143,310)
Finance costs		(2,042,173)	(120,209)
Gain on disposal of associate		14,045	-
Share of results of associate		<u>-</u>	<u>(3,033)</u>
Profit before tax		64,667,721	44,347,268
Income tax expense	18	<u>(13,828,196)</u>	<u>(12,242,319)</u>
Profit for the year		<u>50,839,525</u>	<u>32,104,949</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>50,839,525</u></u>	<u><u>32,104,949</u></u>
Attributable to:			
Equity holders of the company		50,841,359	32,104,949
Non-controlling interests		<u>(1,834)</u>	<u>-</u>
		<u><u>50,839,525</u></u>	<u><u>32,104,949</u></u>
earnings per ordinary share (sen)	22	<u><u>214.5</u></u>	<u><u>132.7</u></u>

**APPENDIX VII UNAUDITED COMBINED FINANCIAL STATEMENTS OF THE ENLARGED MCT GROUP FOR FPE 31 DECEMBER 2014
INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)**

Combined Statement of Changes In Equity

(Unaudited)	Share capital RM	Distributable reserve - Retained earnings RM	Attributable to equity holders of the Company RM	Non- controlling interests RM	Total equity RM
As at 1 July 2013	24,200,017	86,797,438	110,997,455	433	110,997,888
Issue of shares	-	-	-	-	-
Total comprehensive income for the period	-	39,634,142	39,634,142	-	39,634,142
As at 31 December 2013	<u>24,200,017</u>	<u>126,431,580</u>	<u>150,631,597</u>	<u>433</u>	<u>150,632,030</u>
(Unaudited)					
As at 1 July 2014	24,300,014	167,585,667	191,885,681	433	191,886,114
Acquisition of Private Entities*	(600,014)	-	(600,014)	-	(600,014)
Total comprehensive income for the period	-	50,841,359	50,841,359	(1,834)	50,839,525
As at 31 December 2014	<u>23,700,000</u>	<u>218,427,026</u>	<u>242,127,026</u>	<u>(1,401)</u>	<u>242,125,625</u>

* MCT Consortium Bhd acquired the entire equity interest of Ecolake Residence Sdn bhd, Leisure Events Sdn Bhd, MCT Properties Sdn Bhd, MCT Property Management Sdn Bhd, MCT Store Sdn Bhd, Premium Cinema Sdn Bhd, Skypark Fitness Sdn Bhd and Solid Interest Sdn Bhd at the date of the execution of the supplemental letter agreement to the reorganisation agreement dated 10 March 2015 (as amended and supplemented by a supplemental letter agreement dated 22 September 2014) entered into between the Vendors, MCT Consortium Bhd, B&G Capital Resources Berhad and Dato' Goh Meng Keong pursuant to the reorganisation exercise.

**APPENDIX VII UNAUDITED COMBINED FINANCIAL STATEMENTS OF THE ENLARGED
MCT GROUP FOR FPE 31 DECEMBER 2014 INCLUDING THE
EXPLANATORY NOTES THEREON (CONT'D)**

Combined Statement of Cash Flows

	(Unaudited) 6-month FPE 12/31/2014 RM	(Unaudited) 6-month FPE 12/31/2013 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	64,667,721	44,347,268
Adjustments for:		
Depreciation of:		
Property, plant and equipment	4,102,099	1,277,016
Investment properties	630,719	-
Provision for liquidated damages	746,066	-
Finance costs	2,042,173	141,879
Interest income	(354,710)	(77,584)
Gain on disposal of associate	(14,045)	-
Share of results of associate	-	3,033
	<hr/>	<hr/>
Operating Profit Before Working Capital Changes	71,820,023	45,691,612
(Increase)/Decrease in assets:		
Property development costs	(36,959,700)	(9,931,632)
Accrued billings	(66,958,651)	(23,484,335)
Amount due from contract customers	(11,438,852)	25,945,026
Inventory	(281,081)	-
Trade receivables	(31,330,694)	(20,527,939)
Other receivables and deposits	25,469,575	(34,399,799)
Increase/(Decrease) in liabilities:		
Progress billings	(19,439,817)	70,577,975
Amount due to contract customers	1,131,646	(42,060,046)
Trade payables	43,274,750	(24,816,414)
Other payables and accrued expenses	(11,051,691)	31,787,005
	<hr/>	<hr/>
Cash (Used In)/Generated From Operations	(35,764,492)	18,781,453
Income tax paid	(9,959,512)	(2,375,336)
	<hr/>	<hr/>
Net Cash (Used In)/From Operating Activities	(45,724,004)	16,406,117

**APPENDIX VII UNAUDITED COMBINED FINANCIAL STATEMENTS OF THE ENLARGED
MCT GROUP FOR FPE 31 DECEMBER 2014 INCLUDING THE
EXPLANATORY NOTES THEREON (CONT'D)**

	(Unaudited) 6-month FPE 12/31/2014 RM	(Unaudited) 6-month FPE 12/31/2013 RM
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment (Note)	(11,081,330)	(2,277,355)
Investment properties	(33,085,408)	(13,577,625)
Land held for property development	44,988	-
Available-for-sale financial investments	-	(2,485)
Proceeds from disposal of investment in associate	3,000,000	-
Decrease/(Increase) in fixed deposits pledged with licensed banks	1,688,335	(896,527)
Interest income received	251,604	77,584
	<u>(39,181,811)</u>	<u>(16,676,408)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Drawdown of term loans	63,642,958	3,889,205
Repayment of term loans	(5,990,414)	(15,774,655)
Hire-purchase payables	(1,576,199)	(4,173,071)
Finance costs paid	(7,870,413)	(3,546,982)
Acquisition of Private Entities	(600,014)	-
	<u>47,605,918</u>	<u>(19,605,503)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(37,299,897)	(19,875,794)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>88,177,759</u>	<u>30,529,932</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>50,877,862</u></u>	<u><u>10,654,138</u></u>

Note: During the financial period, the Enlarged MCT Group acquired property, plant and equipment by the following means:

	(Unaudited) 6-month FPE 12/31/2014 RM	(Unaudited) 6-month FPE 12/31/2013 RM
Cash purchase	11,081,330	2,277,355
Hire purchase financing	2,005,976	2,968,207
	<u>13,087,306</u>	<u>5,245,562</u>

Cash and cash equivalents at the end of period consist of the following amounts:

	(Unaudited) 6-month FPE 12/31/2014 RM	(Unaudited) 6-month FPE 12/31/2013 RM
Deposits with licensed banks	15,644,894	14,918,686
Cash and bank balances	51,517,819	27,311,431
	67,162,713	42,230,117
Less: Deposits pledged with licensed banks	(12,578,511)	(12,292,782)
Less: Bank overdrafts	(3,706,340)	(19,283,197)
	<u>50,877,862</u>	<u>10,654,138</u>

**APPENDIX VII UNAUDITED COMBINED FINANCIAL STATEMENTS OF THE ENLARGED
MCT GROUP FOR FPE 31 DECEMBER 2014 INCLUDING THE
EXPLANATORY NOTES THEREON (CONT'D)**

EXPLANATORY NOTES

1. Basis of Preparation

The interim financial statements other than for financial instruments have been prepared under the historical cost convention. Financial instruments have been fair valued in accordance with FRS 139 Financial Instruments: Recognition and Measurement.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting.

The interim financial statements should be read in conjunction with the Accountants' report for the past three FYEs 30 June 2014, 2013 and 2012 of the Enlarged MCT Group prepared and duly signed off by the Reporting Accountant Messrs. Deloitte ("Accountants' Report"). These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Enlarged MCT Group since the FYE 30 June 2014.

The financial statement of the Enlarged MCT Group have been prepared in accordance with Financial Reporting Standards ("FRS"), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

2. Significant Accounting Policies

a) Financial Reporting Standards ("FRS")

The significant accounting policies adopted for this interim financial statements are consistent with the Accountants Report except for the adoption of the relevant new Financial Reporting Standards (FRS), amendments to FRS and IC interpretations that are effective for annual periods beginning on or after 1 July 2014.

The adoption of the new FRS, amendments to FRS and IC interpretations does not have any material impact on the financial position and results of the Enlarged MCT Group.

b) Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS Framework"), a fully-IFRS compliant framework. Entities other than private entities shall apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities.

**APPENDIX VII UNAUDITED COMBINED FINANCIAL STATEMENTS OF THE ENLARGED
MCT GROUP FOR FPE 31 DECEMBER 2014 INCLUDING THE
EXPLANATORY NOTES THEREON (CONT'D)**

Transitioning Entities, being entities within the scope of MFRS 141 Agriculture and/or IC Interpretation 15: Agreements for the Construction of Real Estate, including its parents, significant investors and venturers were given a transitional period of two years, which allowed these entities an option to continue with the FRS Framework. Following the announcement by the MASB on 7 August 2013, the transitional period for Transitioning Entities has been extended for an additional year.

On 2 September 2014, the MASB announced that entities other than private entities and private entities that have in the alternative chosen to apply the FRS Framework shall comply with the MFRS Framework latest by 1 January 2017. The Enlarged MCT Group falls within the scope of definition of TEs and has availed itself of this transitional arrangement and will continue to apply FRSs in the preparation of its financial statements. Accordingly, the Enlarged MCT Group will be required to apply MFRS 1 First-time adoption of Malaysian Financial Reporting Standards in its financial statements for the financial year ending 30 June 2018, being the first set of financial statements prepared in accordance with new MFRS Framework.

The Enlarged MCT Group is currently assessing the impact of adoption of MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. At the date of this report, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new MFRS Framework on the Enlarged MCT Group's first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is complete.

3. Unusual Items due to their Nature, Size or Incidence

There was no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current period.

4. Changes in Estimates

There were no changes in estimates of amounts previously reported that have had a material effect in the current period.

5. Seasonal or Cyclical Factors

The Enlarged MCT Group's products and services are generally dependent on the Malaysian economy, government policies and weather conditions (on the construction and property development activities).

6. Dividends

There was no dividend paid during the period under review.

7. Debt and Equity Securities

There were no issuances, cancellations, repurchase, resale and repayments of debt and equity securities in the current period.

**APPENDIX VII UNAUDITED COMBINED FINANCIAL STATEMENTS OF THE ENLARGED MCT GROUP FOR FPE 31 DECEMBER 2014
INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)**

8. Segmental Information

Information regarding the Enlarged MCT Group's reportable segments is presented below:

FPE 31 December 2014	Property development RM	Construction activities RM	Others RM	Total RM	Elimination RM	The Enlarged MCT Group RM
Revenue						
External revenue	165,734,570	81,906,829	21,988,942	269,630,341	-	269,630,341
Inter-segment revenue	(69,181,189)	146,934,441	73,940,467	151,693,719	(151,693,719)	-
Total Revenue	<u>96,553,381</u>	<u>228,841,270</u>	<u>95,929,409</u>	<u>421,324,060</u>	<u>(151,693,719)</u>	<u>269,630,341</u>
Results						
Operating profit	7,123,746	40,624,771	(15,795,976)	31,952,541	34,388,599	66,341,139
Interest income						354,710
Finance costs						(2,042,173)
Gain on disposal of associate						14,045
Profit before tax						64,667,721
Income tax expense						(13,828,197)
Profit after tax						<u>50,839,525</u>
Assets and liabilities						
Segment assets	736,393,513	347,984,762	332,767,088	1,417,145,363	(606,710,611)	810,434,752
Tax recoverable	3,694,994	-	317,568	4,012,562	-	4,012,562
Total assets	<u>740,088,507</u>	<u>347,984,762</u>	<u>333,084,656</u>	<u>1,421,157,925</u>	<u>(606,710,611)</u>	<u>814,447,314</u>
Segment liabilities	515,089,478	236,505,427	260,143,436	1,011,738,341	(483,306,862)	528,431,479
Tax and deferred tax liabilities	31,782,535	11,666,806	440,868	43,890,210	-	43,890,210
Total liabilities	<u>546,872,013</u>	<u>248,172,233</u>	<u>260,584,305</u>	<u>1,055,628,551</u>	<u>(483,306,862)</u>	<u>572,321,689</u>

**APPENDIX VII UNAUDITED COMBINED FINANCIAL STATEMENTS OF THE ENLARGED MCT GROUP FOR FPE 31 DECEMBER 2014
INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)**

FPE 31 December 2013	Property development RM	Construction activities RM	Others RM	Total RM	Elimination RM	The Enlarged MCT Group RM
Revenue						
External revenue	77,695,884	28,328,512	(5,208,112)	100,816,284	-	100,816,284
Inter-segment revenue	22,773,437	67,774,736	62,455,791	153,003,964	(153,003,964)	-
Total Revenue	<u>100,469,321</u>	<u>96,103,248</u>	<u>57,247,679</u>	<u>253,820,248</u>	<u>(153,003,964)</u>	<u>100,816,284</u>
Results						
Operating profit	69,177,723	(8,184,385)	(2,756,181)	58,237,157	(13,844,231)	44,392,926
Interest income						77,584
Finance costs						(120,209)
Share of results of associate						(3,033)
Profit before tax						44,347,268
Income tax expense						(12,242,319)
Profit after tax						<u>32,104,949</u>
Assets and liabilities						
Segment assets	520,716,550	223,329,036	246,818,497	990,864,083	(425,119,656)	565,744,427
Tax recoverable	52,692	-	99,210	151,902	-	151,902
Total assets	<u>520,769,242</u>	<u>223,329,036</u>	<u>246,917,707</u>	<u>991,015,985</u>	<u>(425,119,656)</u>	<u>565,896,329</u>
Segment liabilities	302,189,443	147,307,179	192,034,553	641,531,175	(277,348,004)	364,183,171
Tax and deferred tax liabilities	43,788,493	6,894,885	397,750	51,081,128	-	51,081,128
Total liabilities	<u>345,977,936</u>	<u>154,202,064</u>	<u>192,432,303</u>	<u>692,612,303</u>	<u>(277,348,004)</u>	<u>415,264,299</u>

**APPENDIX VII UNAUDITED COMBINED FINANCIAL STATEMENTS OF THE ENLARGED
MCT GROUP FOR FPE 31 DECEMBER 2014 INCLUDING THE
EXPLANATORY NOTES THEREON (CONT'D)**

9. Profit Before Tax From Continuing Operations

The following items have been charged/(credited) in arriving at profit at profit before tax from continuing operations:

	6-month FPE 31-Dec 2014 RM	6-month FPE 31-Dec 2013 RM
Depreciation of:		
Property, plant and equipment	4,102,099	1,277,016
Investment properties	630,719	-
Rental of:		
Premises	458,751	146,464
Staff costs	15,724,584	5,737,265
Developer interest bearing scheme	7,300,551	2,996,252
Provision for liquidated damages	746,066	-
Interest income	(354,710)	(77,584)
Rental income	(188,499)	(1,330,570)
Realised (gain)/loss on foreign exchange	<u>(136,126)</u>	<u>78,386</u>

10. Changes in Composition of the Enlarged MCT Group

There were no changes in the composition of the Enlarged MCT Group during the current period including business combination, acquisition or disposal of subsidiary and long-term investment, restructuring and discontinuing operation.

11. Property, Plant and Equipment

The Enlarged MCT Group acquired property, plant and equipment worth RM7,087,306 during the period under review.

There were no disposal, impairment nor reversal of impairment during the current six months financial periods.

**APPENDIX VII UNAUDITED COMBINED FINANCIAL STATEMENTS OF THE ENLARGED
MCT GROUP FOR FPE 31 DECEMBER 2014 INCLUDING THE
EXPLANATORY NOTES THEREON (CONT'D)**

12. Capital Commitments

The amount of commitments for the purchase of land, property, plant and equipment and rental of leaseback arrangement not provided for the interim financial statements as at 31 December 2014 are as follows:

	RM
<u>Approved and contracted for:</u>	
Plant and equipment	7,073,000
Rental from leaseback arrangements	56,087,000
	63,160,000

13. Changes in Contingent Liabilities

As at 31 December 2014, the Enlarged MCT Group has the following contingent liabilities:

	RM
Financial guarantees provided in favour of third parties pursuant to the construction projects of the Enlarged MCT Group	6,173,000
Corporate guarantee provided to ultimate holding company for banking facilities	1,000,000
	1,000,000

14. Material Subsequent Events to the Reporting Period

- (a) The Enlarged MCT Group had on 12 January 2015 incorporated a new wholly-owned subsidiary, namely One Residence Sdn Bhd ("One Residence"). The issued and paid-up share capital of One Residence is RM2.00 (comprising 2 ordinary shares of RM1.00 each). One Residence is currently a dormant company and is intended to be the property developer of LakeFront Homes.
- (b) The Enlarged MCT Group, via Premium Cinema ("PC") (as developer), had on 16 January 2015 entered into a Joint Venture Agreement ("JVA") with My Success Property Sdn Bhd ("MSP") (as landowner) for the purposes of undertaking the development of a project on a vacant land held under H.S.(D) 460658, PTD 148898 in the Mukim of Tebrau, District of Johor Bahru, State of Johor, measuring approximately 299,660 square feet (7 acres) on a joint venture basis, pursuant to which MSP shall contribute the land and PC shall contribute and bear the entire costs and expenses for such development in accordance with the relevant requisite approvals, layout and building plan to be obtained from the relevant authorities. PC shall be liable to repay an existing banking facility of RM40 million obtained by MSP in accordance with the security documents entered into by MSP, together with interest accrued thereon as prescribed under the relevant security documents, and pay to MSP a further cash consideration of RM25 million as landowner's entitlement within a period of 5 years from the date of the JVA. The transaction is currently pending completion in accordance with the terms of the JVA.

15. Significant Related Party Transactions

During the financial period, the significant related party transactions entered by the Enlarged MCT Group, which were determined based on negotiations agreed between the parties, are as follows:

	6-month FPE RM
(i) Rental of premises paid/payable	331,608
(ii) Provision of plan submission	699,600
	699,600

**APPENDIX VII UNAUDITED COMBINED FINANCIAL STATEMENTS OF THE ENLARGED
MCT GROUP FOR FPE 31 DECEMBER 2014 INCLUDING THE
EXPLANATORY NOTES THEREON (CONT'D)**

16. Performance Review

Current financial period to date against the previous period corresponding period

For the first six months of the FPE 31 December 2014, the Enlarged MCT Group recorded a 167% growth in revenue of RM269.6 million from RM100.8 million posted in FPE 31 December 2013. Our profit before taxation rose to approximately RM64.7 million from RM44.3 million in FPE 31 December 2013, representing an increase of 46%.

The higher revenue for the six months were mainly contributed by the increased contribution from the property development revenue of RM165.7 million mainly from the three projects i.e. The Square @ OneCity, Skypark @ Cyberjaya and Lakefront @ Cyberjaya. Construction activities contributed RM81.9 million and the remaining is from the business activities generated by Ecity Hotel Sdn Bhd of RM22 million.

17. Variance from Profit Forecast or Profit Guarantee

Not applicable for the FPE 31 December 2014.

18. Income Tax Expenses

The Enlarged MCT Group's effective tax rate for the current period is approximately 21.3%. The lower rate is due to Modular Construction Technology Sdn Bhd unused tax losses bought forward from previous period of RM12,865,000 which was used to set off against current year period.

19. The Enlarged MCT Group borrowings and Debt Securities

Total loans and borrowing as at 31 December 2014 were as follows:

	Short-term RM	Long-term RM
Term loans	85,133,471	198,744,721
Bank overdraft	3,706,340	-
Hire purchase	<u>2,699,773</u>	<u>3,534,729</u>
Total	<u>91,539,584</u>	<u>202,279,450</u>

20. Material Litigation

There was a suit filed on 4 December 1996 by Chellappa A/L Kalimuthu (suing as a public officer of Sri Maha Mariamman Temple, Hicom, Shah Alam, Selangor pursuant to Section 9(c) of the Society Act 1996) on behalf of a society ("Society") ("Plaintiff"). The suit is relating to a claim against three parties, namely Sime UEP Properties Bhd, Pengarah Perancang Bandar dan Desa Negeri Selangor Darul Ehsan, and Kerajaan Negeri Selangor Darul Ehsan in relation to the portion of the land owned by One City Development Sdn Bhd ("OCD") and held under Geran 284076, Lot 81278 Mukim Damansara, Dacrah Petaling, Negeri Selangor ("Master Title") on which an Indian Temple, Kuil Sri Maha Mariamman ("Existing Temple") was erected ("Land Portion"). The Plaintiff, had then on 19 February 2010, filed an application to add OCD, as the fourth defendant, being the registered proprietor of the Master Title and such application was allowed on 29 March 2010.

**APPENDIX VII UNAUDITED COMBINED FINANCIAL STATEMENTS OF THE ENLARGED
MCT GROUP FOR FPE 31 DECEMBER 2014 INCLUDING THE
EXPLANATORY NOTES THEREON (CONT'D)**

There is also another court case involving the Plaintiff and one other group which is led by Nagaraju a/l Merganathan ("Nagaraju") and some of its committee members in Suit No. 22 – 491-2001 in the High Court in Shah Alam claiming for the control and management of the Society and the Existing Temple.

The Plaintiff is claiming, among other reliefs, an order that the Land Portion (measuring approximately one acre), he alienated to the Plaintiff.

On 11 March 2014, the parties have recorded a consent judgment in relation to the matter ("Consent Judgment") and the sealed Consent Judgment has been extracted from the High Court. Accordingly, the matter has been amicably settled subject to the fulfillment of the terms stated in the Consent Judgment by the parties involved, which include, *inter-alia*, the following:

- a) Nagaraju and all parties who are in possession of/or management of the Existing Temple shall vacate and deliver the vacant possession of the Land Portion to OCD within two months from the date of a written notification from the solicitors acting for OCD, informing *inter alia* the completion of the construction of a new temple by OCD on another piece of land owned by it and the date of occupation of such new temple ("Written Notification"). The Written Notification has been issued on 13 January 2015 and Nagaraju and all the respective parties who are in possession of/or management of the Existing Temple shall vacate and deliver the vacant possession of the Land Portion to OCD within 2 months from the Written Notification, by no later than 12 March 2015.
- b) OCD shall deposit a sum of RM1.5 million with its solicitors as stakeholders, for which a portion of such sum will be utilised for the construction of a new temple with water and electricity supplied in accordance with the plan and specifications as attached to the annexures of the Consent Judgment. OCD has on 18 September 2014 deposited a sum of RM1.5 million with its solicitors as stakeholders.
- c) After the management body, and all parties who are in possession of or management of the Existing Temple have vacated and delivered vacant possession of the Land Portion to OCD, the management body of the Existing Temple shall be entitled to vacant possession of an additional piece of land measuring one acre which currently belongs to the Government to be given to and for the benefit of the Existing Temple.
- d) Thereafter, the Plaintiff and Nagaraju shall have no interest whatsoever in the Land Portion and they (whether by themselves, their servants or agents) are restrained from entering/registering any encumbrances (including private caveat) over the Land Portion and neither shall OCD have any claim whatsoever against the Plaintiff and/or Nagaraju following the vacant possession of the Land Portion being delivered to OCD.

The Enlarged MCT Group is of the opinion that in any event the claim to the Land Portion will not unduly affect the ongoing construction development on the said land as the Existing Temple is not sited on the relevant part of the land which has been approved for development.

21. Dividend Payable

No interim dividend has been declared during the period ended 31 December 2014.

**APPENDIX VII UNAUDITED COMBINED FINANCIAL STATEMENTS OF THE ENLARGED
MCT GROUP FOR FPE 31 DECEMBER 2014 INCLUDING THE
EXPLANATORY NOTES THEREON (CONT'D)**

22. Earnings Per Share

Assuming the amounts are computed based on the expected enlarged issued and paid-up share capital after the completion of the regularisation plan of GW Plastics Holdings Berhad, the basic EPS and diluted EPS for the FPE 31 December 2014 is as follows:

(a) Basic earnings per share

	6-month FPE 31/12/2014 RM
Profit attributable to owners of the Parent	50,839,525
Issued and paid-up share capital	1,334,777,119
Basic earnings per share (sen)	3.8

(b) Diluted earnings per share

	6-month FPE 31/12/2014 RM
Profit attributable to owners of the Parent	50,839,525
Issued and paid-up share capital*	1,456,995,476
Diluted earnings per share (sen)	3.5

** Assuming full conversion of 36-month zero-coupon irredeemable convertible unsecured loan stocks*



MCT CONSORTIUM BERHAD (57095-D)
(MCT Group of Companies)
A-03-02 (3rd Flr), SkyPark @ One City,
Jalan USJ 25/1, 47650 Subang Jaya,
Selangor Darul Ehsan, Malaysia.
Tel : 603-5115 9988 Fax : 603-5115 9995
Email : general@mct.com.my
Website : www.mct.com.my

Date: 2 MARCH 2015

To: **Shareholders of GW Plastics Holdings Berhad**

Dear Sir/Madam,

On behalf of the Board of Directors of MCT Consortium Berhad ("**MCT Consortium**") ("**Board**"), I wish to report after due enquiry that during the period from 30 June 2014 (being the date to which the last audited financial statements of MCT Consortium and its subsidiaries ("**Group**"), and the private entities to be acquired by the Group ("**Private Entities**") have been made up to) to the date hereof (being the date not earlier than 14 days before the date of issue of this Prospectus to shareholders of GW Plastics Holdings Berhad) that:

- (i) the business of the Group and the Private Entities (collectively the "**Enlarged MCT Group**") has, in the opinion of the Board, been satisfactorily maintained;
- (ii) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of the Enlarged MCT Group, which have adversely affected the trading or value of the assets of the Enlarged MCT Group;
- (iii) the current assets of the Enlarged MCT Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in Section 10.3 of this Prospectus, there are no contingent liabilities which have arisen by reason of any guarantee or indemnity given by the Enlarged MCT Group;
- (v) since the last audited financial statements of the Enlarged MCT Group, there has been no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums for any borrowing by the Enlarged MCT Group; and
- (vi) since the last audited financial statements of the Enlarged MCT Group, there have been no material change in the published reserves or any unusual factor affecting the profits of the Enlarged MCT Group.

Yours faithfully,
For and on behalf of the Board of Directors of
MCT Consortium Bhd

Dato' Sri Tong Seech Wi
Director

1. SHARE CAPITAL

Our Company

- (a) No securities will be allotted or issued on the basis of this Prospectus later than 12 months after the date of issuance of this Prospectus.
- (b) As at the LPD, there is only one class of share in our Company, namely ordinary shares of RM0.01 each, all of which rank *pari passu* with one another.
- (c) As at the LPD, save for the issue of the Consideration Shares, Placement Shares and Bumiputera Shares, and the ICULS to be issued at 100% of their nominal value to the Vendors for the Acquisition which are convertible into the New Shares in accordance with the terms of the trust deed entered into between by our Company and Malaysian Trustees Berhad dated 23 February 2015 ("**Trust Deed**"), no person has been or is entitled to be granted an option to subscribe for any shares of our Company and no capital of our Company is under any option or agreed conditionally or unconditionally to be put under any option as at the date of this Prospectus. The ICULS shall constitute the direct, conditional, unsecured and unsubordinated obligations of our Company and subject to the provisions contained in the Trust Deed, shall at all time rank *pari passu* without discrimination, preference or priority among themselves. Pursuant to the terms of the Trust Deed, in the event of a liquidation or winding up of our Company prior to the maturity date of the ICULS and –
 - (i) after the conditions set out in Clause 4 of the Trust Deed in respect of any of the ICULS have been fulfilled, those ICULS relating to which the conditions as set out in Clause 4 of the Trust Deed have been fulfilled, shall rank at least *pari passu* with all other present and future unsecured and unsubordinated debts and obligations of our Company except those which are mandatorily preferred by law; or
 - (ii) before the conditions set out in Clause 4 of the Trust Deed in respect of any of the ICULS have been fulfilled, those ICULS relating to which the conditions as set out in Clause 4 of the Trust Deed have not been fulfilled shall automatically lapse and be null and void and be of no further force and effect.

Enlarged MCT Group

- (a) No securities will be allotted or issued on the basis of this Prospectus later than 12 months after the date of issuance of this Prospectus.
- (b) As at the LPD, there is only a single class of share in MCT Consortium, namely ordinary shares of RM1.00 each, all of which rank *pari passu* with one another.
- (c) No person has been or is entitled to be granted an option to subscribe for any shares of MCT Consortium and no capital of MCT Consortium is under any option or agreed conditionally or unconditionally to be put under any option as at the LPD.

2. DIRECTORS

According to our Company's Articles of Association, there is no shareholding qualification for Directors. An extract of the provisions of the Company's Articles of Association in relation to the remuneration of the Directors are as follows:

Article 90

"The Directors shall be paid by way of fees for their services, such fixed sum (if any) as shall from time to time be determined by the Company in general meeting and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine PROVIDED ALWAYS that:-

- (a) fees payable to Directors who hold non-executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;*
- (b) salaries and other emoluments payable to Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such salaries and emoluments may not include a commission on or percentage of turnover;*
- (c) fees payable to Directors shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting; and*
- (d) any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter."*

Article 91(b)

"If by arrangement with the Directors, any Director shall perform or render any special duties outside his ordinary duties as a Director in particular without the generality of the foregoing or if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board provided that in the case of non-executive Directors of the Company, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an Executive Director, such fee may be either in addition to or in substitution for his share in the fee from time to time provided for the Directors. Any Director who serves on any committee or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration."

Article 103

"Any Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company and provided further that such shall be at normal commercial terms."

Article 114(a)

"Each Director shall have power from time to time to nominate any person (not being a Director) to act as his alternate Director and at his discretion by way of a notice to the Company, remove such alternate Director from office; but the appointment of such alternate Director shall not take effect until approved by a majority of the other Directors PROVIDED ALWAYS that any fee paid by the Company to an alternate Director shall be deducted from that Director's remuneration."

Article 116

"The remuneration of a Director holding an executive office pursuant to these Articles shall be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or a percentage of turnover."

3. MATERIAL CONTRACTS

Our Company

Save as disclosed below, our Company has not entered into any material contracts, not being contracts entered into in the ordinary course of business, within the past two years preceding the date of this Prospectus:

- (i) Share Sale Agreement dated 8 January 2014 (as amended and supplemented by a Supplemental Agreement dated 24 July 2014, a Supplemental Letter dated 10 November 2014, a Second Supplemental Agreement dated 8 December 2014 and a second Supplemental Letter dated 25 February 2015) between our Company and the Vendors for the Acquisition at the Purchase Consideration which shall be satisfied by our Company with its issuance of 1,032,420,869 Consideration Shares and the issuance of RM122,218,357 nominal value of ICULS. The transaction is currently pending completion in accordance with the terms of the SSA.
- (ii) Trust Deed dated 23 February 2015 entered into between our Company and Malaysian Trustees Berhad in respect of the ICULS.

Enlarged MCT Group

Save as disclosed below, the Enlarged MCT Group has not entered into any material contracts, not being contracts entered into in the ordinary course of business, within the past two years preceding the date of this Prospectus:

- (i) Subscription and Shareholders' Agreement dated 20 September 2013 between Cherish Properties (a wholly-owned subsidiary of MCT Consortium), Setia Haruman Sdn Bhd ("**Setia Haruman**") and Vista Global Development to regulate the relationship of Cherish Properties and Setia Haruman as shareholders of Vista Global Development for the purpose of using Vista Global Development as a joint venture vehicle for acquiring all that parcel of freehold commercial land identified as P6 measuring in area approximately 7.202 acres and held under H.S.(D) 7043, PT No. 12016, Mukim Dengkil, Daerah Sepang, Negeri Selangor which forms part of the Cyberjaya Flagship Zone ("**Land**") from Cyberview Sdn Bhd (as proprietor) ("**Cyberview**") and Setia Haruman and developing the Land as a commercial development ("**Subscription and Shareholders' Agreement**"). The transaction has been completed on 15 December 2014 in accordance with the terms of the Subscription and Shareholders' Agreement.
- (ii) Sale and Purchase Agreement dated 20 September 2013 between Cyberview (as land proprietor), Setia Haruman (as vendor) and Vista Global Development, for the disposal by Setia Haruman of the Land to Vista Global Development for a cash

APPENDIX IX ADDITIONAL INFORMATION (CONT'D)

consideration of RM31,371,912. The sale and purchase of the Land has been completed on 24 June 2014 in accordance with the terms of the Sale and Purchase Agreement.

- (iii) Sale and Purchase Agreement dated 31 December 2013 between Roaring Gain, a wholly-owned subsidiary of MCT Consortium (as vendor) and a non-related party, namely Maha Syahdu (as purchaser) (as amended and supplemented by a Supplemental Agreement dated 7 April 2014) for the disposal by Roaring Gain to Maha Syahdu of a corporate office tower (comprising 15 floors and a roof garden) with an approximate built-up area of 126,915 square feet erected on a master title held under Geran 311022, Lot 91380 (formerly held under H.S.(D) 262298, PT 35071), in the Mukim of Damansara, District of Petaling and State of Selangor, for a cash consideration of RM82,494,750.00. Following the LPD, the sale and purchase transaction has been completed on 30 June 2014 in accordance with the terms of the Sale and Purchase Agreement.
- (iv) Reorganisation Agreement dated 10 March 2014 (as amended as supplemented by a supplemental letter agreement dated 22 September 2014) between B&G Capital, MCT Consortium, Tan Sri Barry Goh, Dato' Sri Tong and Dato' Danny Goh for the purposes of undertaking and implementing the Reorganisation Exercise. The transaction is currently pending completion in accordance with the terms of the Reorganisation Agreement.
- (v) Joint Venture Agreement dated 16 January 2015 between My Success Property (as landowner) and Premium Cinema, a wholly-owned subsidiary of MCT Consortium (as developer) for the purposes of undertaking the development of a project on a vacant land held under H.S.(D) 460658, PTD 148898 in the Mukim of Tebrau, District of Johor Bahru, State of Johor, measuring approximately 299,660 square feet (7 acres) on a joint venture basis, pursuant to which My Success Property shall contribute the land and Premium Cinema shall contribute and bear the entire costs and expenses for such development in accordance with the relevant requisite approvals, layout and building plan to be obtained from the relevant authorities. Premium Cinema shall be liable to repay an existing banking facility of RM40 million obtained by My Success Property in accordance with the security documents entered into by My Success Property, together with interest accrued thereon as prescribed under the relevant security documents, and pay to My Success Property a further cash consideration of RM25 million as landowner's entitlement within a period of 5 years from the date of the Joint Venture Agreement. The transaction is currently pending completion in accordance with the terms of the Joint Venture Agreement.

4. MATERIAL LITIGATION

Our Company

As at the LPD, our Company is not involved in any material litigation, claims, or arbitration, either as plaintiff or defendant, and, to the best of knowledge and belief of our Board, our Board is not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially affect the business/financial position of our Company.

Enlarged MCT Group

As at the LPD, save as disclosed below, the Enlarged MCT Group is not involved in any material litigation, claims, or arbitration, either as plaintiff or defendant, and, to the best of knowledge and belief of MCT Consortium Board, the MCT Consortium Board is not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially affect the business/financial position of the Enlarged MCT Group:

Shah Alam High Court Civil Suit No: MT1-21-353-1996

The above suit was filed on 4 December 1996 by Chellappa A/L Kalimuthu (suing as a public officer of Sri Maha Mariamman Temple, Hicom, Shah Alam, Selangor pursuant to Section 9(c) of the Society Act 1996) on behalf of a society ("**Society**") ("**Plaintiff**"). The suit is relating to a claim against three parties, namely Sime UEP Properties Bhd, Pengarah Perancang Bandar dan Desa Negeri Selangor Darul Ehsan, and Kerajaan Negeri Selangor Darul Ehsan in relation to the portion of the land owned by One City Development and held under Geran 284076, Lot 81278 Mukim Damansara, Daerah Petaling, Negeri Selangor ("**Master Title**") on which an Indian Temple, Kuil Sri Maha Mariamman ("**Existing Temple**") was erected ("**Land Portion**"). The Plaintiff, had then on 19 February 2010, filed an application to add One City Development, as the fourth defendant, being the registered proprietor of the Master Title and such application was allowed on 29 March 2010.

There is also a court case involving the Plaintiff and one other group which is led by Nagaraju a/l Merganathan ("**Nagaraju**") and some of its committee members in Suit No. 22 – 491-2001 in the High Court in Shah Alam claiming for the control and management of the Society and the Existing Temple.

The Plaintiff is claiming, among other reliefs, an order that the Land Portion (measuring approximately one acre), be alienated to the Plaintiff.

On 11 March 2014, the parties have recorded a consent judgment in relation to the matter ("**Consent Judgment**") and the sealed Consent Judgment has been extracted from the High Court. Accordingly, the matter has been amicably settled subject to the fulfillment of the terms stated in the Consent Judgment by the parties involved, which include, *inter alia*, the following:

- (a) Nagaraju and all parties who are in possession of/or management of the Existing Temple shall vacate and deliver the vacant possession of the Land Portion to One City Development within two months from the date of a written notification from the solicitors acting for One City Development, informing *inter alia* the completion of the construction of a new temple by One City Development on another piece of land owned by it and the date of occupation of such new temple ("**Written Notification**"). The Written Notification has been issued on 13 January 2015 and Nagaraju and all the respective parties who are in possession of/or management of the Existing Temple shall vacate and deliver the vacant possession of the Land Portion to One City Development within two months from the Written Notification, by no later than 12 March 2015.
- (b) One City Development shall deposit a sum of RM1.5 million with its solicitors as stakeholders, for which a portion of such sum will be utilised for the construction of a new temple with water and electricity supplied in accordance with the plan and specifications as attached to the annexures of the Consent Judgment. One City Development has on 18 September 2014 deposited the sum of RM1.5 million with its solicitors as stakeholders.
- (c) After the management body, and all parties who are in possession of or management of the Existing Temple have vacated and delivered vacant possession of the Land Portion to One City Development, the management body of the Existing Temple shall be entitled to vacant possession of an additional piece of land measuring one acre which currently belongs to the Government to be given to and for the benefit of the Existing Temple.
- (d) Thereafter, the Plaintiff and Nagaraju shall have no interest whatsoever in the Land Portion and they (whether by themselves, their servants or agents) are restrained from entering/registering any encumbrances (including private caveat) over the Land Portion and neither shall One City Development have any claim whatsoever against the Plaintiff and/or Nagaraju following the vacant possession of the Land Portion being delivered to One City Development.

The MCT Consortium Board is of the opinion that in any event the claim to the Land Portion will not unduly affect the on-going construction development on the said land as the Existing Temple is not sited on the relevant part of the land which has been approved for development.

5. GENERAL

Our Company

- (a) Save as disclosed in this Prospectus (where relevant), the financial condition and operations of our Company are not likely to be affected by any of the following:
 - (i) Known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Company;
 - (ii) Material commitments for capital expenditure of our Company;
 - (iii) Unusual, infrequent events or transactions or significant economic changes which materially affect the amount of reported income from the operations; and
 - (iv) Known trends or uncertainties which have had, or will have, a material favourable or unfavourable impact on revenues or operating income of our Company.
- (b) Save as disclosed in this Prospectus (where relevant), our Board, after having made all reasonable enquiries, is not aware of any material information including special trade factors or risks which after having made all relevant enquiries, are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Company.
- (c) There is no existing or proposed service contract entered or to be entered into by the Company with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one year from the date of this Prospectus.
- (d) Our Company together with the Vendors and RHB Investment Bank may enter into conditional cornerstone agreement(s) with (i) the Identified Investors to acquire the Investor Offer Shares and/or the Placement Shares; and/or (ii) Bumiputera Investors to acquire the Bumiputera Shares, at the Placement Price ("**Conditional Cornerstone Agreements**"). However, there is no certainty that any of/all of the Conditional Cornerstone Agreements will be entered into. Accordingly, the above information has been incorporated in Section 5 of Appendix IX of the Revised Prospectus.

Enlarged MCT Group

- (a) Save as disclosed in this Prospectus (where relevant), the financial condition and operations of the Enlarged MCT Group are not likely to be affected by any of the following:
 - (i) Known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of the Enlarged MCT Group;
 - (ii) Material commitments for capital expenditure of the Enlarged MCT Group;

APPENDIX IX ADDITIONAL INFORMATION (CONT'D)

- (iii) Unusual, infrequent events or transactions or significant economic changes which materially affect the amount of reported income from the operations; and
 - (iv) Known trends or uncertainties which have had, or will have, a material favourable or unfavourable impact on revenues or operating income of the Enlarged MCT Group.
- (b) Save as disclosed in this Prospectus (where relevant), the board of directors of MCT Consortium, after having made all reasonable enquiries, is not aware of any material information including special trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of the Enlarged MCT Group.
- (c) There is no existing or proposed service contract entered or to be entered into by the Company with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one year from the date of this Prospectus.

6. CONSENTS

- (a) The written consents of our Sole Principal Adviser and Sole Placement Agent, Share Registrar, Company Secretaries, Messrs Shook Lin & Bok, Messrs Mah-Kamariyah & Philip Koh and the principal banker for the inclusion in this Prospectus of their names and reference thereto in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (b) The written consent of Bloomberg L.P. to the inclusion in this Prospectus of its name and citation of the market data made available to its subscribers in the form and context in which such name and market data appear has been given before the issuance of this Prospectus and has not been subsequently withdrawn.
- (c) The written consent of the reporting accountants, Deloitte, for the inclusion in this Prospectus of its name, Accountants' Report and the reporting accountants' letter on the pro forma financial information of our Company for FPE 31 March 2014 thereon, in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and has not subsequently been withdrawn.
- (d) The written consent of Vital Factor Consulting Sdn Bhd, being the independent market researcher, for the inclusion in this Prospectus of its name, Independent Market Research Report and all references thereto in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and has not subsequently been withdrawn.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours from Monday to Friday (except public holidays) at our Registered Office for a period of 12 months from the date of issue of this Prospectus:

- (a) The Memorandum and Articles of Association of our Company;
- (b) The certified true extract of the ordinary resolutions in respect of, *inter alia*, the Renunciation and ROS passed at our EGM, as set out in Appendix I of this Prospectus;
- (c) Audited consolidated financial statements of our Company for the past two FYEs 31 December 2012 and 31 December 2013 and FPE 31 March 2014, and unaudited consolidated financial statements of our Company for the FYE 31 December 2014;

APPENDIX IX ADDITIONAL INFORMATION (CONT'D)

- (d) The pro forma financial information of our Company for FPE 31 March 2014 together with the reporting accountants' letter thereon, as set out in Appendix V of this Prospectus;
- (e) The Accountants' Report as set out in Appendix VI of this Prospectus;
- (f) The Directors' Report as set out in Appendix VIII of this Prospectus;
- (g) The letters of consent referred to in Section 6 of this Appendix of this Prospectus;
- (h) The relevant cause papers in respect of the material litigation referred to in Section 4 of this Appendix of this Prospectus;
- (i) The material contracts referred to in Section 3 of this Appendix of this Prospectus;
- (j) The Independent Market Research Report as set out in Appendix IV of this Prospectus; and
- (k) Unaudited combined financial statements of the Enlarged MCT Group for FPE 31 December 2014 including explanatory notes thereon as set out in Appendix VII of this Prospectus.

8. RESPONSIBILITY STATEMENTS

- (a) Subject to the paragraph below in relation to the Information (as hereinafter defined), our Board has seen and approved this Prospectus together with the accompanying documents and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.
- (b) Information relating to the Vendors and the Enlarged MCT Group in this Prospectus, including the proposals to be undertaken by them and the details of the properties and projects, has been obtained from information/documents provided by the Vendors, the parties/companies within the Enlarged MCT Group and their directors/management and other publicly available documents (where available) (collectively, the "**Information**"). The Vendors, collectively and individually accept full responsibility for the accuracy of the Information given, confirm that after having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein false or misleading. The sole responsibility of our Board is therefore limited to ensure that the Information had been accurately reproduced in this Prospectus.
- (c) RHB Investment Bank, being the Sole Principal Adviser and Sole Placement Agent of the Renunciation and ROS, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the Renunciation and ROS.