



**MALAYSIAN RESOURCES CORPORATION BERHAD**  
[Company No: 7994-D]

Level 30, Menara Allianz Sentral, No. 203, Jalan Tun Sambanthan,  
Kuala Lumpur Sentral, 50470 Kuala Lumpur  
[tel] 603 28597070 [fax] 603 27807988 [url] www.mrcb.com.my

Date: 2 June 2022

**Minority Shareholder Watch Group (MSWG)**

Level 23, Unit 23-2  
Menara AIA Sentral  
No. 30, Jalan Sultan Ismail  
50250 Kuala Lumpur

Confidential  
Facsimile (03-2780 7668)

Attention: **Mr. Devanesan Evanson**  
Chief Executive Officer

Dear Sir,

**Malaysian Resources Corporation Berhad ("MRCB" / "the Group")  
51<sup>st</sup> Annual General Meeting ("AGM") on Thursday, 2 June 2022**

---

We refer to your letter dated 23 May 2022 in respect of the above matter.

We are pleased to submit our replies to your queries which we presented at the AGM on 2 June 2022. Our replies are:

**Operational and Financial Matters**

- 1) The revenue from the Engineering, Construction & Environment Division, ("ECED") increased to RM891.3 million in FY 2021 from RM501.4 million in FY2020. (Page 76 of IAR).

The cost of sales from ECED also increased from RM428.7 million in FY 2020 to RM867.9 million in FY 2021. (Page 77 of IAR).

The gross profit from ECED is much lower at RM2.34 million in FY 2021 as compared to RM7.27 million in FY 2020. Thus, the gross profit margin is only 3% for FY 2021 as compared to 14% in FY 2020.

- (a) Why is the gross profit for FY 2021 much lower than FY 2020?

**Answer:**

***While both financial years were impacted by the Covid-19 pandemic, the Government-mandated SOPs and Movement Control Orders that led to construction site closures in 2020 were less severe and were for a shorter duration, commencing only at the tail-end of the 1st Quarter of 2020, compared to 2021 when the Enhanced Movement Control Order ("EMCO") and Full Movement Control Order ("FMCO") resulted in construction site closures for a little over two months, between June and August 2021.***

***The easing of these restrictions was only introduced in late 2021. However, when the Group was finally able to resume construction work under the permissible SOPs and other guidelines issued by the Government and regulatory authority, productivity rates remained very low due to caps placed on the percentage of workforce allowed at sites at any given time, restrictions on the type of works that could be carried out, as well as significant disruptions in the construction supply chain which led to a shortage of workers and essential building materials. All of the above led to high idling costs and lower revenue and profit recognition as a direct result of lower construction progress, and consequently a depletion in gross profit margins.***

- (b) What are the major components of cost of sales that recorded substantial increases in FY 2021?

**Answer:**

***On 13 October 2021, we acquired the remaining 50% of the equity interest in the LRT3 project company, Setia Utama LRT 3 Sdn Bhd ("SULSB"), formerly known as MRCB George Kent Sdn Bhd. With the completion of the acquisition, SULSB became an indirect wholly-owned subsidiary of the Company. This consolidation contributed 68% of the cost of sales.***

***The LRT3 project is a 37 km light rail transit line from Bandar Utama to Klang that will feature 20 stations, five provisional stations and two integrated stations. The infrastructure project has a contract value worth RM11.4 billion, and as at 31 December 2021, reached 67% physical construction completion and 58% financial progress.***

- (c) What are the measures taken by the Group to reduce the high expenses mentioned in (b) above?

**Answer:**

***The high expense mentioned above in (b) were primarily driven by the consolidation of SULSB and the LRT3 project in late FY2021, which accounted for more than half of the cost of sales. We do expect some level of improvement to be recorded in 2022, as operations normalise more in this endemic phase, reducing the idling costs and other increased costs and cost inefficiencies resulting of the restrictions and mandated SOPs.***

2) The Group has earmarked waste-to-energy as a priority area to venture into. The technology of the waste-to-energy is sourced from Europe as it is suitable for the higher moisture content in Malaysia's household waste and the project has been approved by the Malaysian Government. (Page 26 of the IAR)

(a) What is the expected CAPEX for the waste-to-energy project?

**Answer:**

***MRCB is still currently finalising a waste-to-energy agreement with the Government. However, based on the tender submitted to the Government, CAPEX including financing costs during construction will be approximately RM1 billion.***

(b) What is the contract period of the waste-to-energy project with the Government?

**Answer:**

***Based on the tender submitted to the Government, the contract period is 25 years excluding the construction period.***

(c) What is the payback period for the project?

**Answer:**

***The payback period is dependent on the terms of the final agreement and can only be determined after it has been signed, but we estimate that it is likely to be in excess of 10 years, excluding the construction period.***

3) The Group has identified sites to pursue aged-care solutions initiative and it will continue to work towards developing partnerships to materialise this strategy. (Page 34 of AR)

(a) Where are the sites for the aged-care solutions?

**Answer:**

***The Group has identified and is studying a site in Petaling Jaya, Selangor.***

(b) Please name the partners identified by the Group for the aged-care solutions?

**Answer:**

***The Group is actively studying business models and evaluating foreign partners at present.***

(c) When will the Group start the aged-care solutions business?

**Answer:**

***The relevant research and groundwork towards pursuing the aged-care solutions business has been actively on-going, and key initiatives are currently being refined. However, we expect to see the first development of our aged-care solutions initiative to be launched as soon as a business model and operating partner is identified.***

4) The Company has acquired 683.32 acres of land in Simpang Pulai, Perak to develop an industrial/logistics park (Page 17 of IAR).

(a) How is the market demand for the industrial/logistics park in Perak?

**Answer:**

***Demand for logistics solutions is on the rise in the Asia Pacific region, with an estimated 70% increase in enquiries on logistics investments so far in 2022. The trend is also seen in Malaysia where total revenue from the rapidly growing e-commerce segment is expected to reach approximately RM45.81 billion in 2025, and will drive demand for more logistics and warehousing space.***

***Perak is one of the states under the Northern Corridor Economic Region ("ECER"), which was identified under the Ninth Malaysia Plan for the promotion of balanced and equitable national economic development. The State has a strong industrial foundation, and in the past has relied heavily on manufacturing as its economic driver. In efforts to diversify its industrial portfolio, the Government has also identified logistics and transport equipment as new economic drivers for the State, and earmarked Ipoh as a key location within this segment. In 2021, Perak recorded a 50% increase in industrial transactions to RM420 million from RM281 million in 2019. It is anticipated that the***

***growth in online shopping will create further demand for logistic hubs, with Perak to benefit from this activity. We are currently working closely with the Malaysian Investment Development Authority (“MIDA”) on these initiatives.***

- (b) Please name the industrial/logistic parks that are located in Simpang Pulai or Perak in general.

**Answer:**

***To date there are no bespoke integrated logistics parks that provide a full-suite of services in Perak that meet sustainability requirements that are increasingly in demand and a standard pre-requisite of multinational companies today. Most of the existing industrial parks are owned by the State and are old with insufficient infrastructure. MRCB plans to develop the Ipoh Raya Integrated Park in Simpang Pulai, which is in a large and strategic location with direct access to the North-South Expressway, and only 14 km away from the city of Ipoh.***

- (c) When does the Company expect to launch the industrial/logistics park in Simpang Pulai?

**Answer:**

***MRCB has developed a comprehensive master plan for the Simpang Pulai land, and due to its size, the development has been divided into several phases. Phase 1, which is the development of a logistics hub, will be launched in 2022.***

- 5) A wholly owned subsidiary of MRCB Australia Holding has acquired approximately 0.766 acres or 33,368 sq ft land for a purchase price of AUD\$17,000,000.00 plus GST. (Page 187 of IAR).

- (a) What is the Gross Development Value (GDV) of the land?

**Answer:**

***The land has a GDV of AUD\$ 296 million, or approximately RM 900 million.***

- (b) What is the master plan for the land?

**Answer:**

***The site is located within the Light Rail Urban Renewal Area at 26 Vista Street, Surfers Paradise, Gold Coast, Australia, and is within very close proximity to Northcliffe Station. The development will feature a 51-storey high-rise residential tower with 280 apartments, ranging from one-bedroom apartments to four-bedroom apartments, and***

*will include six townhouses at the ground level with individual street access. Recreational areas for residents in the 172-metre high building includes a swimming pool, cinema, resident's lounge with bar, a wellness suite with gym, massage room and rooftop terrace with a private lounge. The development will cater to locals in Australia who face a supply shortage as a result of the high net migration to the area.*

(c) When does the Company target to launch the property project on the acquired land?

**Answer:**

***Construction is slated to begin in 2023, and targeted to be completed by 2026 subject to obtaining all the development orders.***

We hope the above explanation is satisfactory. Kindly contact Yazmin (03-2859 7105) should you require further clarification. Meanwhile, we also wish to extend our thanks to you for all your support and we will continue to keep the high standards of governance we have always set upon ourselves since we commenced business.

Thank you.

A handwritten signature in black ink, appearing to be 'Amarjit Chhina', written in a cursive style.

Yours faithfully

**MALAYSIAN RESOURCES CORPORATION BERHAD**

**AMARJIT CHHINA**  
Chief Corporate Officer