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

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Date: 7 June 2023

Minority Shareholder Watch Group (MSWG)
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Confidential
Facsimile (03-2780 7668)

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

Dear Sir,

Malaysian Resources Corporation Berhad ("MRCB" / "the Group")
52nd Annual General Meeting ("AGM") on Wednesday, 7 June 2023

We refer to your letter dated 29 May 2023 in respect of the above matter.

We are pleased to submit our replies to your queries which we presented at the AGM on 7 June 2023. Our replies are:

Operational and Financial Matters

1) The Group's gross profit margin improved by 1.5% in FY 2022 from 12.4% in FY 2021 to RM13.9% in FY 2022. (Page 90 of IAR).

   Although the gross profit margin has improved marginally in FY 2022, the gross profit margin is still low compared to the previous years. The gross profit margins for the FYs 2018 till FY 2020 are 19.9 %, 22.6% and 21.0 % respectively.

   (a) Please explain why the gross profit margin is on a declining trend for the past two years.

   (b) Which business segment of the Group recorded a lower gross profit margin in FY 2022 as compared to FY 2021?

   (c) How can the Group further improve its gross profit margin moving forward?

   Answer 1 (a) – (c):
   The Engineering, Construction & Environment Division's margins are much lower than the Property Development & Investment Division's margins. The total gross profit margin is a result of the percentage of revenue contributed by each operating

division. Since the full consolidation of the LRT3 project in 2021, the percentage of revenue contributed by the Engineering, Construction & Environment Division increased substantially to 70% of the Group's total revenue, leading to a much lower total blended gross profit margin compared to previous years, although because of this, the Group's total Revenue rose 121% to RM3.2 billion. Moving forward, the total blended margin will improve if the percentage share of revenue from the Property Development & Investment Division increases.

2) The Group's facilities management & parking business segment continues to record operating loss of RM1 million in both FYs 2021 and 2022 while in the earlier FYs, it recorded operating profit of RM6 million, RM6 million and RM7 million in FYs 2018, 2019 and 2020, respectively. (Page 93 of IAR)

   (a) Why did the facilities management & parking business segment record operating losses in FYs 2021 and 2022?

   <u>Answer:</u>
   The Facilities Management & Parking ("FMP") Division was also affected by the challenging operating environment brought about by the COVID-19 pandemic. In FY2021, the Movement Control Orders that resulted in lockdowns and work from home policies were more severe compared to those in FY2020, leading to travelling restrictions and changes in working habits, including hybrid working arrangements, that affected FMP's returns from its carparking assets. This was further impacted by a shortage of workers faced by the Division during the pandemic that resulted in increased labour costs, and later by the introduction of the new minimum wage.

   As the economy began to normalise in FY2022, the Division's operating loss narrowed from RM1.3 million in FY2021 to RM0.5 million in FY2022.

   (b) What measures have been taken to stop the facilities management & parking business segment from making losses moving forward?

   <u>Answer:</u>
   The returns on our parking assets have improved tremendously in FY2022 as the economy returned to normalcy. However, it did not achieve pre-COVID-19 levels as the new minimum wage was implemented in mid-2022 for our security personnel increased the Division's overheads just as it began to see an increase in visitor activities to our parking sites.

   As part of our efforts to improve profitability, in FY2022, we continued our strategy to digitalise the business through the implementation of cashless parking to reduce our overheads. To date, we have successfully implemented cashless parking at three of our sites and will continue to implement this at our other sites.

3) On 14 September 2022, the Company entered into a share purchase agreement with Stone Haus Sdn. Bhd. (“SHSB”) to dispose 127,500 ordinary shares, representing 51% shares held in Prema Bonanza Sdn. Bhd. (“Prema”) for a purchase consideration of RM1. (Page 64 FR 2022)

   The disposal resulted in a loss on disposal before tax of RM2.06 million.

   Why did the Company decide to sell Prema at a nominal price of RM 1 and consequently report a loss before tax of RM2.06 million?

   <u>Answer:</u>
   Prema Bonanza Sdn Bhd (“PMSB”) was a special purpose vehicle for a joint venture property development. Its sole project was completed and delivered in 2017. PMSB had distributed RM98.43 million as dividends to MRCB prior to its disposal. The disposal consideration of RM1 was arrived at on a willing buyer willing seller basis after mutual agreement of the valuation of the company.

4) The Company has signed an agreement with an international Fortune 500 company to develop a production facility in Perlis. (Page 75 of IAR)

   (a) Please name the type of production facility in Perlis.

      <u>Answer:</u>
      It will be a semi-conductor production facility. Unfortunately, we are unable to name the company due to a confidentiality requirement by the client at this juncture.

   (b) What is the Company’s role in the production facility?

      <u>Answer:</u>
      The Company will be the owner and developer to build and lease the facility to the Fortune 500 company.

   (c) When is the production facility expected to commence operations?

      <u>Answer:</u>
      The production facility is expected to commence operations in Q1 2025.

5) The Group launched the first phase of its 810.57-acre Ipoh Raya Integrated Park. (Page 103 of IAR)

   (a) What is the type of development to be carried out on the first phase of the Ipoh Raya Integrated Park?

   Answer:
   The first phase of the Ipoh Raya Integrated Park has been planned as a logistics hub due to its very close proximity and direct access to the North South Expressway ("NSE").

   (b) What is the Gross Development Value of the first phase of Ipoh Raya Integrated Park?

   Answer:
   The first phase of Ipoh Raya Integrated Park has a GDV of approximately RM57 million.

   (c) What is the latest take-up rate of the first phase of Ipoh Raya Integrated Park as of March 2023?

   Answer:
   The Ipoh Raya Integrated Park is not a traditional industrial park development where individual parcels are sold off plan. It is a bespoke integrated industrial and logistics development targeting large multinational companies looking to diversify their international supply chains and manufacturing bases to ensure their long-term sustainability. We are actively marketing Ipoh Raya Integrated Park to a number of leading multinational corporations who are looking to relocate their manufacturing operations and who have expressed an interest in the integrated park. The successful signing of any one of these potential clients will result in a very material portion of the whole development being taken up.

   To date, we have signed a Memorandum of Understanding to partner with Lorry.com, Aerodyne Group and Hi Wealth Labs to develop Phase 1 as a logistics hub.

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.

Yours faithfully,

MALAYSIAN RESOURCES CORPORATION BERHAD

AMARJIT CHHINA
Chief Corporate Officer