THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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MALAYSIAN RESOURCES CORPORATION BERHAD
(Company No. 7994-D)
(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PART A

MANAGEMENT CONTRACT BETWEEN KWASA UTAMA SDN BHD (FORMERLY KNOWN AS KWASA DEVELOPMENT (1) SDN BHD) ("KUSB") AND MALAYSIAN RESOURCES CORPORATION BERHAD ("MRCB") FOR THE APPOINTMENT OF MRCB AS THE MANAGEMENT CONTRACTOR IN CONNECTION WITH THE DEVELOPMENT AND CONSTRUCTION OF A COMMERCIAL DEVELOPMENT NAMED KWASA UTAMA ON A PIECE OF LAND OWNED BY KUSB MEASURING 29.82 ACRES KNOWN AS PLOT C8 (PART OF LOT 85112) KWASA DAMANSARA, MUKIM SUNGAI BULOH, DAERAH PETALING, SEKSYEN U4, 40160 SHAH ALAM, SELANGOR DARUL EHSAN FOR A PROVISIONAL TOTAL CONTRACT SUM OF RM3,145,493,294 PAYABLE IN CASH ("PROPOSED CONSTRUCTION")

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED DIRECTORS AND NON-INTERESTED SHAREHOLDERS OF MRCB IN RELATION TO THE PROPOSED CONSTRUCTION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A

RHB Investment Bank Berhad
(Company No. 19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B

Kenanga Investment Bank Berhad
Company No. 15678-H
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The notice of the Extraordinary General Meeting ("**EGM**") of MRCB which will be held at Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 21 December 2015 at 11.30 a.m. or immediately after the conclusion of the EGM which will be held at 10.30 a.m. on the same day and at the same venue, whichever is later or at any adjournment thereof, together with the Form of Proxy are enclosed in this Circular.

You are entitled to vote at the EGM. If you are unable to attend the EGM, you are entitled to appoint a proxy or proxies to attend and vote on your behalf. In such event, you should complete and deposit the Form of Proxy at our share registrar's office at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the date and time fixed for the EGM or at any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

This Circular is dated 4 December 2015

DEFINITIONS

Except where the context otherwise requires, the following abbreviations and definitions shall apply throughout this Circular:-

Act	:	Companies Act, 1965
Board	:	Board of Directors of MRCB
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
Circular	:	This circular dated 4 December 2015 in relation to the Proposed Construction
Development	:	Commercial development named Kwasa Utama on a piece of land owned by KUSB measuring 29.82 acres known as Plot C8 (part of Lot 85112) Kwasa Damansara, Mukim Sungai Buloh, Daerah Petaling, Sekysen U4, 40160 Shah Alam, Selangor Darul Ehsan
EGM	:	Extraordinary general meeting
EPF	:	Employees Provident Fund Board
EPS	:	Earnings per share
FYE	:	Financial year ended/ending, as the case may be
GDC	:	Gross development cost
GDC Report	:	The report dated 27 October 2015 prepared by the QS in relation to its independent analysis of the GDC for the Development
GST	:	Goods and services tax
IAL	:	Independent advice letter from Kenanga Investment Bank to the non-interested directors and non-interested shareholders of MRCB in relation to the Proposed Construction
Interested Directors	:	Collectively, Tan Sri Azlan Zainol, Datuk Shahril Ridza Ridzuan and Rohaya Mohammad Yusof
Interested Major Shareholder	:	EPF
Kenanga Investment Bank or Independent Adviser	:	Kenanga Investment Bank Berhad (15678-H)
KUSB or Employer	:	Kwasa Utama Sdn Bhd (1089957-K) *(formerly known as Kwasa Development (1) Sdn Bhd)*
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	20 November 2015, being the latest practicable date prior to the printing of this Circular
Management Contract	:	Management contract dated 28 October 2015 entered into between KUSB and MRCB for the Proposed Construction
MRCB or Company or Management Contractor	:	Malaysian Resources Corporation Berhad (7994-D)
MRCB Group or Group	:	Collectively, MRCB and its subsidiaries

MRCB Shares or Shares	:	Ordinary shares of RM1.00 each in MRCB
NA	:	Net assets
NL	:	Net liabilities
Parties	:	Collectively, MRCB and KUSB
PCM Kos Perunding or QS	:	PCM Kos Perunding Sdn Bhd (359690-H)
Proposed Construction	:	Appointment of MRCB as the Management Contractor to provide services in connection with the development and construction of the Development for the Provisional Total Contract Sum
Provisional Total Contract Sum	:	The provisional total contract sum in connection with the Proposed Construction of RM3,145,493,294 which is payable in cash. For the avoidance of doubt, the Provisional Total Contract Sum is provisional at this juncture as the actual contract sum is dependent on the cumulative contract sum based on the NTP2 (including any adjustment provided for in the EPCC Contract) which will be issued by KUSB for each Plot and based on final accounts. "NTP2" and "EPCC Contract" are defined in Section 2.3.2(a)(v) of Part A of this Circular and "Plot" is defined in Section 2 of Part A of this Circular
PwC or Reporting Accountants	:	PricewaterhouseCoopers (AF:1146)
RHB Investment Bank or Principal Adviser	:	RHB Investment Bank Berhad (19663-P)
RM and sen	:	Ringgit Malaysia and sen, the legal tender of Malaysia

References to "**our Company**", "**we**", "**us**" and "**ourselves**" in this Circular are to MRCB and where the context otherwise requires, shall include our subsidiary companies. References to "**our Group**" are to our Company and our subsidiary companies. All references to "**you**" in this Circular are to our shareholders.

Unless specifically referred to, words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to the provisions of any statute, rules, regulation or rules of stock exchange shall (where the context admits), be construed as a reference to the provisions of such statute, rules, regulation or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments to the statute, rules, regulation or rules of stock exchange for the time being in force.

Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any discrepancy between the figures shown herein and figures published by MRCB, such as in its quarterly results or annual reports, is due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by your Board after due inquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that MRCB's plans and objectives will be achieved.

TABLE OF CONTENTS

This executive summary represents only a summary of the pertinent information on the Proposed Construction as set out in Part A of this Circular and you are advised to read and carefully consider the contents of this Circular and the IAL as set out under Part B of this Circular before voting on the resolution pertaining to the Proposed Construction at the forthcoming EGM. Unless otherwise stated, all abbreviations used herein are as defined in Part A of this Circular.

1. SUMMARY OF THE PROPOSED CONSTRUCTION

On 28 October 2015, RHB Investment Bank had, on behalf of your Board, announced that our Company had entered into a management contract with KUSB whereby KUSB has appointed our Company as the Management Contractor to provide services in connection with the development and construction of a commercial development named Kwasa Utama on a piece of land owned by KUSB measuring 29.82 acres known as Plot C8 (part of Lot 85112) Kwasa Damansara, Mukim Sungai Buloh, Daerah Petaling, Sekysen U4, 40160 Shah Alam, Selangor Darul Ehsan for a provisional total contract sum of RM3,145,493,294 payable in cash.

The Development, which will span approximately 12 years from 2016 to 2027, is expected to comprise seven (7) separate development plots ("**Plots**") which consists of eight (8) office towers, one (1) block of hotel, one (1) block of auditorium and one (1) facility block. An outline of the types of development to be carried out on each of the Plots is set out below:-

(a) Plot 1: Office towers;
(b) Plot 1A: Common facilities;
(c) Plot 2: Retail;
(d) Plot 2A: Hotel and office; and
(e) Plots 3 - 5: Office towers

Pursuant to the terms and conditions of the Management Contract, our Company's role as Management Contractor shall entail the following:-

(a) construct financial models for the purpose of the feasibility study and as a basis for planning the Development to meet KUSB's objectives for the Development ("**Financial Modelling Services**"). The Financial Modelling Services shall comprise the preparation of (i) an initial feasibility study of the Development as a whole; and (ii) an Updated Feasibility Study (as defined herein);

(b) provide sales and marketing consultancy for the en bloc lease of the retail, hotel and office buildings of the Development ("**Sales and Marketing Consultancy**");

(c) facilitate KUSB on a best endeavours basis in obtaining all required authority and statutory approvals for the Development as a whole and specifically for each Plot;

(d) provide project management and design services utilising the Building Information Modeling system for the Development as a whole and for each Plot; and

(e) provide engineering, procurement, management, construction and commissioning of the works for each Plot ("**Works**").

(The services described in paragraphs (a) to (e) above shall hereinafter be collectively referred to as "**Services**" and the services described in paragraphs (c) to (e) above which will be provided on a turnkey basis for each Plot shall hereinafter be collectively referred to as "**EPCC Services**").

The Provisional Total Contract Sum, payable by KUSB to our Company, shall comprise the following:-

(a) provisional management contract fees of RM187,248,913 ("**Provisional Management Contract Fees**") (inclusive of GST); and

(b) provisional contract costs amounting to RM2,958,244,381 ("**Provisional Contract Costs**") comprising the following:-

   (i) the contract price payable under the EPCC Contract (as defined herein) for all Plots amounting to approximately RM2.86 billion, comprising the total cost of construction and completion of the Works, including the costs of preliminaries and contingencies (as adopted by KUSB) ("**TCC**") and fees payable by MRCB to the consultants engaged for the Works (inclusive of GST); and

   (ii) the expenses payable for the Sales and Marketing Consultancy under the Management Contract (inclusive of GST) of approximately RM98.24 million.

The Provisional Total Contract Sum as set out above is provisional at this juncture and the actual costs may be higher or lower.

2. BASIS AND JUSTIFICATION OF ARRIVING AT THE PROVISIONAL TOTAL CONTRACT SUM

The Provisional Total Contract Sum was arrived at based on commercially negotiated terms after taking into consideration the preliminary plans for the Development, the estimated Provisional Contract Costs as agreed between the Parties and the basis for the Provisional Management Contract Fees as set out in Section 2 of Part A of this Circular.

Our Company has also appointed an independent quantity surveyor, namely PCM Kos Perunding, to undertake an independent analysis of the GDC for the Development. In arriving at the estimated GDC, the QS had independently derived, amongst others, the TCC and Authority and Statutory Charges, whilst other costs such as land cost, overhead and administrative costs as well as management contract fees for Financial Modelling Services, Sales and Marketing Consultancy and EPCC Services were derived based on information furnished by MRCB.

The QS had vide its GDC Report estimated the GDC (excluding financing costs) to be approximately RM3,764,198,192. The QS' GDC estimation represents a slight variance of approximately 1.31% to the estimated GDC for the Development as stated under the Management Contract of RM3,814,336,758 (excluding financing costs). Premised on this, our Company is of the view that the estimated GDC as stated in the Management Contract is reasonable.

After considering the GDC and the basis used to determine the amount payable to MRCB as set out in the table in Section 2 of Part A of this Circular, our Company is also of the view that the Provisional Total Contract Sum is reasonable.

3. RATIONALE FOR AND PROSPECTS OF THE PROPOSED CONSTRUCTION

The Proposed Construction, which is in the ordinary course of business of our Group, will enable our Company to undertake a large scale development and construction project which showcases our engineering and construction expertise. The Development which spans approximately 12 years will not only allow our Group to enhance our construction and engineering project pipeline but is also expected to provide our Group with a steady stream of income over the development and construction period, which in turn is expected to contribute positively to our Company's future earnings.

The Development forms part of the visionary Kwasa Damansara township project being undertaken by Kwasa Land, which is being developed on 2,330 acres of land strategically located in the vicinity of the mature surrounding suburbia of Petaling Jaya, Subang, Subang Jaya, Kelana Jaya, Shah Alam, Damansara and Sungai Buloh. Kwasa Land estimates that Kwasa Damansara will be able to generate a gross development value of RM50 billion over the next 20 years. By undertaking the Proposed Construction, our Company ultimately gains a foothold into the Kwasa Damansara project and a potential pipeline of construction projects which augurs well for our Company's financial performance in the mid to longer term period.

4. RISK FACTORS FOR THE PROPOSED CONSTRUCTION

The risk factors relating to the Proposed Construction include the following, which are further set out in Section 5 of Part A of this Circular.

- Non-completion of the Proposed Construction
- Construction risk
- Delay in completion of projects
- Dependence on subcontractors
- Demand risks
- Non-payment by KUSB
- Funding and interest rate risk

5. EFFECTS OF THE PROPOSED CONSTRUCTION

We have set out below a summary of the financial effects arising from the Proposed Construction on our Company's issued and paid-up share capital, consolidated NA per share and gearing, consolidated EPS and shareholdings of the substantial shareholders of our Company, for your information:-

(i) Share capital and substantial shareholders' shareholding

The Proposed Construction will not have any effect on the issued and paid-up share capital and substantial shareholdings of our Company as it does not involve an issuance of new MRCB Shares.

(ii) NA per share and gearing

For information purposes, the pro forma consolidated statements of financial position of our Company in respect of the Proposed Construction should include pro forma adjustments which are directly attributable to the event or transaction, factually supportable and consistent with our Company's applicable financial reporting framework. Directly attributable adjustment excludes those that relate to future events or are dependent on actions to be taken once the transaction has been completed, even if such actions are key to our Company entering into the transaction. This is consistent with the requirements of the International Standard on Assurance Engagements 3420.

As the Management Contract is an executory contract under which neither party has performed its obligation in respect of the Development as at the date of the Management Contract, the execution of the Management Contract will not have any effect on the pro forma consolidated statements of financial position of our Company as at 31 December 2014, had the Management Contract been executed on 31 December 2014.

In addition, as the Development spans approximately 12 years and is subject to, amongst others, updated feasibility studies being undertaken prior to the issuance of an NTP1 for each Plot, the Provisional Contract Costs for the Development and hence, the Provisional Management Contract Fees are still subject to change. Further, the development plans for the Development have yet to be submitted for regulatory approvals and hence, the manner and/or sequence of development as well as the components of each Plot have yet to be finalised. As such, it is currently too early to ascertain the expected profits to be derived by our Company from the Proposed Construction and the corresponding effects on the NA of our Company.

The actual effects on our Company's gearing will depend on actual bank borrowings to be obtained to fund our obligations under Section 2 of Part A of this Circular, if any, the quantum of which cannot be determined at this juncture.

The transaction expenses in relation to the securing of the Management Contract may be fully capitalised as contract costs in accordance with the requirements of Financial Reporting Standards 111: Construction Contracts. For information purposes, the said transaction expenses amounts to approximately RM4.63 million, which includes advisory fees, regulatory fees, printing and advertising costs, stamp duties and miscellaneous expenses.

(iii) Earnings and EPS

The Proposed Construction is not expected to have any material effect on the earnings and EPS of our Company for the FYE 31 December 2014 assuming that the Proposed Construction had been effected at the beginning of that financial year.

However, the Proposed Construction is expected to contribute positively to the future earnings and EPS of our Company over the development and construction period of the Development.

Nevertheless, as the development plans for the Development have yet to be submitted for regulatory approvals and the Provisional Contract Costs and the Provisional Management Contract Fees are still subject to change, it is currently too early to ascertain the expected profits to MRCB from the Proposed Construction.

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PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED CONSTRUCTION

MRCB

MALAYSIAN RESOURCES CORPORATION BERHAD
(Company No. 7994-D)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered office:
Level 33A, Menara NU 2
No. 203, Jalan Tun Sambanthan
Kuala Lumpur Sentral,
50470 Kuala Lumpur
Wilayah Persekutuan
Malaysia

4 December 2015

Board of Directors

Tan Sri Azlan Zainol *(Non-Independent Non-Executive Chairman)*
Tan Sri Mohamad Salim Fateh Din *(Group Managing Director)*
Mohd Imran Tan Sri Mohamad Salim *(Executive Director)*
Datuk Shahril Ridza Ridzuan *(Non-Independent Non-Executive Director)*
Dato' Chong Pah Aung *(Independent Director)*
Jamaludin Zakaria *(Independent Director)*
Rohaya Mohammad Yusof *(Non-Independent Non-Executive Director)*
Chuah Mei Lin *(Independent Director)*

To: Our Shareholders

Dear Sir/Madam,

PROPOSED CONSTRUCTION

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1. INTRODUCTION

On 28 October 2015, RHB Investment Bank had, on behalf of your Board, announced that our Company had entered into a management contract with KUSB whereby KUSB has appointed our Company as the Management Contractor to provide services in connection with the development and construction of a commercial development named Kwasa Utama on a piece of land owned by KUSB measuring 29.82 acres known as Plot C8 (part of Lot 85112) Kwasa Damansara, Mukim Sungai Buloh, Daerah Petaling, Sekysen U4, 40160 Shah Alam, Selangor Darul Ehsan for a provisional total contract sum of RM3,145,493,294 payable in cash.

In view of the interests of the Interested Directors and the Interested Major Shareholder as set out in Section 8 of Part A of this Circular, the Proposed Construction is deemed as a related party transaction ("**RPT**") pursuant to the provisions of Paragraph 10.08 of the Listing Requirements.

Accordingly, your Board had on 28 October 2015 appointed Kenanga Investment Bank as the independent adviser to advise the non-interested directors and non-interested shareholders in respect of the Proposed Construction.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED CONSTRUCTION AND TO SEEK YOUR APPROVAL FOR THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED CONSTRUCTION TO BE TABLED AT THE FORTHCOMING EGM.

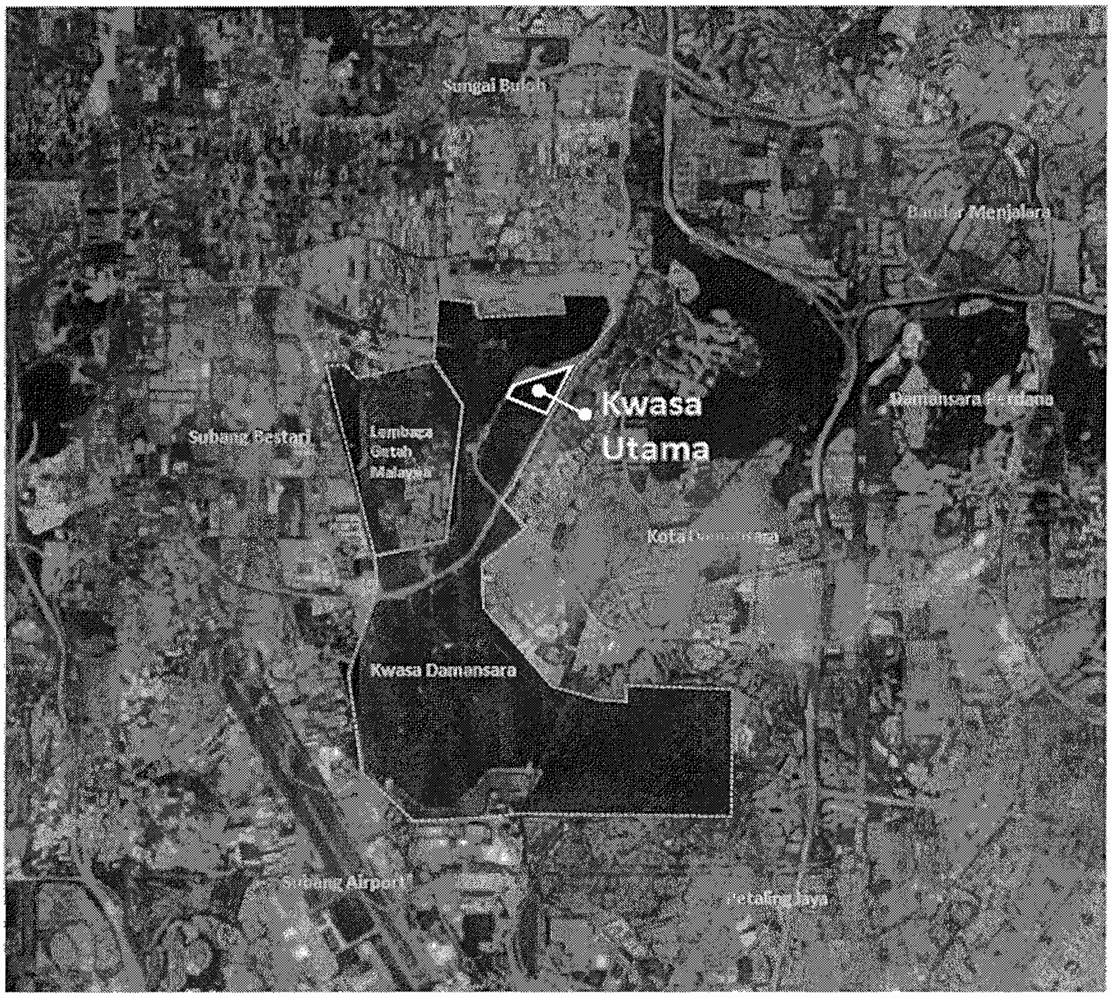
YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR AND THE IAL AS SET OUT UNDER PART B OF THIS CIRCULAR BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED CONSTRUCTION TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED CONSTRUCTION

The Development, which will span approximately 12 years from 2016 to 2027, is expected to comprise seven (7) separate development plots ("**Plots**") which consists of eight (8) office towers, one (1) block of hotel, one (1) block of auditorium and one (1) facility block. An outline of the types of development to be carried out on each of the Plots is set out below:-

(a) Plot 1: Office towers;
(b) Plot 1A: Common facilities;
(c) Plot 2: Retail;
(d) Plot 2A: Hotel and office; and
(e) Plots 3 - 5: Office towers

The location map for the Development is as follows:-



(Source: Management of MRCB)

The total estimated GDC for the Development as stated in the Management Contract amounts to approximately RM3,871,999,194.

Pursuant to the terms and conditions of the Management Contract, our Company's role as Management Contractor shall entail the following:-

(a) construct financial models for the purpose of the feasibility study and as a basis for planning the Development to meet KUSB's objectives for the Development ("**Financial Modelling Services**"). The Financial Modelling Services shall comprise the preparation of (i) an initial feasibility study of the Development as a whole ("**Initial Feasibility Study**"); and (ii) an Updated Feasibility Study (as defined herein);

(b) provide sales and marketing consultancy for the en bloc lease of the retail, hotel and office buildings of the Development ("**Sales and Marketing Consultancy**");

(c) facilitate KUSB on a best endeavours basis in obtaining all required authority and statutory approvals for the Development as a whole and specifically for each Plot ("**Regulatory Services**");

(d) provide project management and design ("**PMD**") services utilising the Building Information Modeling ("**BIM**") system for the Development as a whole ("**PMD Development Services**") and for each Plot ("**PMD Plot Services**") (collectively referred to as the "**PMD Services**"); and

(e) provide engineering, procurement, management, construction and commissioning of the works for each Plot ("**Works**").

(The services described in paragraphs (a) to (e) above shall hereinafter be collectively referred to as "**Services**" and the services described in paragraphs (c) to (e) above which will be provided on a turnkey basis for each Plot shall hereinafter be collectively referred to as "**EPCC Services**").

The Provisional Total Contract Sum, payable by KUSB to our Company, shall comprise the following:-

(a) provisional management contract fees of RM187,248,913 ("**Provisional Management Contract Fees**") (inclusive of GST); and

(b) provisional contract costs amounting to RM2,958,244,381 ("**Provisional Contract Costs**") comprising the following:-

    (i) the contract price payable under the EPCC Contract (as defined herein) for all Plots amounting to approximately RM2.86 billion, comprising the total cost of construction and completion of the Works, including the costs of preliminaries and contingencies (as adopted by KUSB) ("**TCC**") and fees payable by MRCB to the consultants engaged for the Works ("**Professional Fees**") (inclusive of GST); and

    (ii) the expenses payable for the Sales and Marketing Consultancy under the Management Contract (inclusive of GST) of approximately RM98.24 million.

Further details on the estimated GDC for the Development as stated in the Management Contract and the Provisional Total Contract Sum are set out in the table below:-

Costs incurred/services rendered	Estimated GDC	Provisional amount payable to MRCB	Basis of amounts payable to MRCB
	RM('000)	RM('000)	
Land cost	389,688	-	-
Authority and Statutory Charges @	195,958	-	-
Office overhead and administrative costs	83,198	-	-
Financing costs	57,662	-	-
Subtotal	**726,506**	-	
Provisional Contract Costs			
(i) TCC	2,648,075	2,648,075 ^	Lump sum, in accordance with the EPCC Contracts for each Plot
(ii) Professional Fees	211,925	211,925 #	Based on actual costs to be incurred
(iii) Sales and marketing expenses	98,244	98,244	Based on actual costs to be incurred
Subtotal	**2,958,244**	**2,958,244**	
Provisional Management Contract Fees			
(i) Financial Modelling Services	100	100	Lump sum, upon completion of the Initial Feasibility Study and acceptance thereof by the Board of Directors of KUSB
(ii) Sales and Marketing Consultancy	23,752	23,752 *	Based on actual costs to be incurred as well as the following:- (a) Two (2) months of actual net rental (being gross rental excluding the leased building's service charge) should our Company successfully secure a lessee for KUSB for any Plot; or

Costs incurred/services rendered	Estimated GDC	Provisional amount payable to MRCB	Basis of amounts payable to MRCB
	RM('000)	RM('000)	
			(b) 1.75% of gross development value (being proceeds of the sale of such part of the Development) should KUSB dispose any of the Development and the purchaser is secured by our Company. This rate was commercially negotiated between the parties and MRCB deems it to be reasonable
(iii) EPCC Services, comprising the following:-			
• Regulatory Services	9,798	9,798	5% of actual Authority and Statutory Charges @ incurred by KUSB for the Development. This rate was commercially negotiated between the parties and MRCB deems it to be reasonable
• PMD Services	10,596	10,596	5% of actual Professional Fees #. This rate was commercially negotiated between the parties and MRCB deems it to be reasonable
• Works	132,404	132,404	5% of TCC ^. This rate was commercially negotiated between the parties and MRCB deems it to be reasonable
(iv) GST	10,599	10,599	6%, subject to changes which may be implemented by the Government from time to time
Subtotal	**187,249**	**187,249**	
GRAND TOTAL	**3,871,999**	**3,145,493**	

Notes:-

@ *Authority and statutory charges, which are fees to be charged by the relevant authorities in relation to the application for, and obtaining of, the approvals required for the Development or the Works by KUSB ("**Authority and Statutory Charges**"), have been estimated at a rate of 7.40% of the TCC, which is a rate adopted by KUSB. Such authorities include any statutory authority having jurisdiction over the Development or the Works and any company or body authorised to provide water, electricity, telephone, sewerage and other related services.*

^ *The estimated TCC of approximately RM2.65 billion is merely a provisional figure at this juncture and the actual TCC may be higher or lower depending on the EPCC Contract for each Plot.*

Professional fees of consultants engaged/to be engaged for the Works, which include, amongst others, the architect, civil and structural engineer, mechanical and electrical engineer and quantity surveyor, have been estimated at a rate of 8.00% of the TCC, which is a rate adopted by KUSB.

* *Represents a provisional sum which is derived based on the estimated two (2) months net rental for the first year of lease for Plots 2A, 3, 4 and 5 respectively. The monthly rental for Plots 2A, 3, 4 and 5 is currently estimated at approximately RM11.88 million.*

For the avoidance of doubt, the land cost, Authority and Statutory Charges, office overhead and administrative costs as well as financing costs shall be borne by KUSB directly. The Provisional Total Contract Sum as set out above is provisional at this juncture and the actual costs may be higher or lower. The actual contract sum is dependent on the cumulative contract sum based on the NTP2 (including any adjustment provided for in the EPCC Contract such as adjustment to Professional Fees and management contract fees pertaining to Regulatory Services and PMD Services) which will be issued by KUSB for each Plot and based on final accounts.

For information purposes, our Company as the Management Contractor may subcontract the whole or any part of the Works to third parties (subject to the terms and conditions of the Management Contract), and undertake certain Works on their own.

2.1 Basis and justification of arriving at the Provisional Total Contract Sum

The Provisional Total Contract Sum was arrived at based on commercially negotiated terms after taking into consideration the preliminary plans for the Development, the estimated Provisional Contract Costs as agreed between the Parties and the basis for the Provisional Management Contract Fees as set out in Section 2 of Part A of this Circular.

Our Company has also appointed an independent quantity surveyor, namely PCM Kos Perunding, to undertake an independent analysis of the GDC for the Development. In arriving at the estimated GDC, the QS had independently derived, amongst others, the TCC and Authority and Statutory Charges, whilst other costs such as land cost, overhead and administrative costs as well as management contract fees for Financial Modelling Services, Sales and Marketing Consultancy and EPCC Services were derived based on information furnished by MRCB.

The summary of assumptions and methods adopted by the QS in its independent analysis of the GDC for the Development are as follows:-

Item	Methods	Reasons for adopting	Assumptions
TCC	Using comparable unit rate methods of similar development components inclusive of contingency allowance and other acceptable yardstick as per industry practice	• Gross floor area and preliminary layout plans for each Plot have been determined • Building type and intended function for each Plot have been determined which allows the QS to allocate a particular unit rate for each type of building	Building works were computed based on the unit rate method whilst other cost elements such as preliminaries, sub-structure works and mechanical works were computed based on a percentage of building works or the sum thereof
Authority and Statutory Charges	As per the relevant agencies guidelines such as Tenaga Nasional Berhad for electrical supply, SYABAS for water supply and Telekom Malaysia for connection fees	There is no other input for this cost element at this juncture	The power and water usage is calculated based on guidelines given by the relevant authorities and number of telephone lines is estimated based on assumptions of office area and similar developments which is then multiplied with a factor to arrive at the budgeted figure
Sales and Marketing expenses (sales option)	Based on a percentile factor of estimated gross development value ("**GDV**")	There is no other input for this cost element at this juncture	1.5% of GDV is proposed as a budgetary allowance

The QS had relied on the following broad parameters in its estimation of the GDC for the Development:-

Plot No.	Development	Gross floor area (square feet)
1	Office towers	527,930
1A	Common facilities	93,690
2	Retail	1,205,280
2A	Hotel and office	592,100
3	Office towers	691,924
4	Office towers	773,855
5	Office towers	661,566
	Basement car park – 5 levels	2,235,759
	Podium car park – 4 levels	1,129,921
	Total	**7,912,025**

Based on the above, the QS had vide its GDC Report estimated the GDC (excluding financing costs) to be approximately RM3,764,198,192. The QS' GDC estimation represents a slight variance of approximately 1.31% to the estimated GDC for the Development as stated under the Management Contract of RM3,814,336,758 (excluding financing costs). Premised on this, our Company is of the view that the estimated GDC as stated in the Management Contract is reasonable.

After considering the GDC and the basis used to determine the amount payable to MRCB as set out in the table in Section 2 of Part A of this Circular, our Company is also of the view that the Provisional Total Contract Sum is reasonable.

The Executive Summary of the GDC Report is set out in Appendix I of this Circular.

2.2 Source of funding

The obligations of our Company as set out in Section 2 of Part A of this Circular will be funded via internally generated funds and/or bank borrowings, the quantum of which cannot be determined at this juncture.

2.3 Other salient terms of the Management Contract

2.3.1 Condition precedent

The Management Contract is conditional upon MRCB obtaining its shareholders' approval for the Proposed Construction on or before 30 April 2016 ("**Cut-Off Date**"). This condition precedent shall be fulfilled upon MRCB giving notice to KUSB that such approval has been obtained.

If such approval is not obtained by the Cut-Off Date, then the Management Contract shall automatically terminate and the Parties shall have no claim whatsoever against the other on any matter in respect of, or arising from, the Management Contract.

For the avoidance of doubt, the provision of any Service shall be conditional upon the fulfilment of the abovementioned condition precedent such that the provision of Services described in the Management Contract is likewise subject at all times to the said condition precedent.

2.3.2 Provision of the Services by MRCB

(a) EPCC Services

(i) The provision of the EPCC Services for each Plot is tentatively as follows, subject however to any required variation and subject always to issuance by KUSB of an NTP1 (as defined herein) for the respective Plots:-

Plot 1	Year 2016 to 2018
Plot 2	Year 2016 to 2019
Plot 3	Year 2016 to 2019
Plot 1A	Year 2018 to 2020
Plot 4	Year 2019 to 2022
Plot 2A	Year 2022 to 2025
Plot 5	Year 2024 to 2027

(ii) The provision of the EPCC Services is subject always to the issuance of a first notice to proceed by KUSB, which is the award of the EPCC Contract for a Plot to MRCB and for the commencement of the design part of the Works, and the Regulatory Services and PMD Services ("**Design Section**") for the particular Plot ("**NTP1**").

(iii) KUSB shall only be obliged to issue an NTP1 for a Plot upon the lease of all lettable areas of the proposed buildings for a Plot being secured by any party(ies) appointed by KUSB, approval by the board of directors of KUSB of the Relevant Updated Feasibility Study (as defined herein) (as notified by KUSB to MRCB), and delivery by MRCB of the documents required provided always that if a KUSB Force Majeure (as defined herein) event occurs, KUSB has the discretion to withhold issuance of any NTP1 and provided further that KUSB shall not award the EPCC Services for the Plot to anyone else.

"**Updated Feasibility Study**" means a feasibility study for the Development as a whole to be prepared when the lease for the Plot has been secured, prior to issuance of an NTP1, which is updated to incorporate all data current at that time including the rent payable under the lease, and which shall contain estimates of the TCC, the Professional Fees and the Authority and Statutory Charges for the relevant Works, and assess the impact of proceeding with the relevant Works on the average return on investment, for KUSB's consideration and approval.

"**Relevant Updated Feasibility Study**" means the last Updated Feasibility Study updated *inter alia* to incorporate the rent for the particular Plot to be developed by the proposed issuance of an NTP1.

"**KUSB Force Majeure**" means changes to KUSB's policy for the Development; or KUSB is unable to obtain funding for the Plot on terms commercially viable for it.

For the avoidance of doubt if an NTP1 is not issued for a Plot by 31 December 2024 (as determined by KUSB), then the Plot shall not be developed and without prejudice to MRCB's entitlement to the contract costs and management contract fees for Financial Modeling Services and Sales and Marketing Consultancy carried out for the Plot under the Management Contract, MRCB shall not be entitled to any claim in respect of KUSB's decision not to proceed with the development of the Plot, whether for loss of profit or revenue, loss of contract or for any indirect or consequential loss or damage arising from such decision.

(iv) Notwithstanding that the NTP1 is not signed nor returned to KUSB, MRCB shall be deemed to have accepted the award upon the lapse of the period for acceptance thereof.

(v) The Parties agree that the Provisional Contract Price (as defined herein) set out in the NTP1 represents the budget for the Works, and the Contract Price (as defined herein) for the Works shall be determined in accordance with the EPCC Contract and as stated in the NTP2.

"**EPCC Contract**" means the contract between KUSB and MRCB for the execution of the EPCC Services for a Plot, based on the standard terms for the EPCC Services applicable to all Plots (including any amendments from time to time), entered into upon the award of an NTP1.

"**Provisional Contract Price**" means the budget approved by KUSB for the Works for a particular Plot as set out in the NTP1 for such Plot, being the provisional amount for the design, execution and completion of the Works comprising the estimated Professional Fees and the estimated TCC for the Works, such estimates based on the Updated Feasibility Study.

"**Contract Price**" means the amount stated in the NTP2 comprising the fixed lump sum TCC for the Works and estimated Professional Fees (as approved by the board of directors of the Employer), and includes adjustments (if any) in accordance with the EPCC Contract.

"**NTP2**" means the second notice to proceed by KUSB, instructing MRCB, or its legal successors in title ("**Contractor**") to proceed with the physical construction of the Works.

(vi) Notwithstanding the EPCC Services being based on per Plot, MRCB is responsible for delivering the entire Development (being all the Plots that are awarded to MRCB) such that the Works for each Plot is fully integrated as a development. Any works required for such integration which is inadvertently excluded from the scope of Works for a Plot is included as part of the obligations of MRCB under the Management Contract and Parties agree that as such works are to be considered part of the Works for each Plot, no specific payment is due therefor.

(b) Development Services

(i) Except as otherwise provided, the provision of all the Services (excluding the EPCC Services) ("**Development Services**") by MRCB is subject always to the approval of the executive director of KUSB ("**Employer's Representative**").

(ii) If any of the Development Services to be provided by MRCB is outsourced to third parties, then such third party must be approved by the Employer's Representative, which approval shall not be unreasonably withheld.

(c) Financial Modelling Services

(i) MRCB shall prepare and deliver the Initial Feasibility Study to KUSB for its acceptance.

(ii) MRCB shall only prepare the Updated Feasibility Study upon written request by KUSB. MRCB shall use its best endeavours to deliver the Updated Feasibility Study to KUSB within one (1) month from MRCB's receipt of KUSB's request.

(iii) A feasibility study shall only be deemed accepted by KUSB upon the approval by the board of directors of KUSB.

(d) Sales and Marketing Consultancy

(i) MRCB's budget of expenses for provision of the Sales & Marketing Consultancy must be approved by the board of directors of KUSB.

(e) Commencement and completion date

(i) The commencement and completion date of the Design Section and physical construction of the Works (other than the Design Section) shall be as stated in the NTP1 and NTP2 respectively.

(ii) The Contractor obtaining the Certificate of Completion and Compliance given or granted under the Street, Drainage and Building Act 1974 and any by-laws made under that Act for the permanent works to be designed and executed by the Contractor under the EPCC Contract, is a requirement for the Works (other than the Design Section) or part of the Works ("**Section**") to be considered completed for the purposes of taking-over of the Works or the Section by the Employer.

(iii) The Management Contract shall be completed by (a) 31 December 2024, or (b) the date of completion of all EPCC Contracts (for which NTP1 were issued on or before 31 December 2024), whichever is later.

2.3.3 Determination of Contract Price

At the date of the EPCC Contract, only a Provisional Contract Price is provided, as specified in the NTP1. Parties agree that the Contract Price shall only be determined after the date of the EPCC Contract as follows:-

(i) Upon delivery of the BIM design, which shall include the TCC based on such design. Based on the Parties' belief and agreement that use of BIM yields savings by creating efficiency, the TCC for the Works is expected to be reduced from the TCC portion of the Provisional Contract Price.

(ii) If there is any adjustment to the TCC based on the BIM design or as agreed by the Parties, the Contract Price shall be determined as the aggregate of the adjusted TCC and the Professional Fees calculated as 8% of such adjusted TCC, for the Works.

(iii) The Contract Price shall be confirmed in the NTP2.

2.3.4 Payment by KUSB

(a) In consideration for MRCB's provision of the Initial Feasibility Study, KUSB shall pay RM100,000 to MRCB after completion of the Initial Feasibility Study and acceptance thereof.

(b) In consideration for MRCB's provision of an Updated Feasibility Study, if accepted by KUSB, KUSB shall pay MRCB at the rate of RM20,000 per month calculated from the date of KUSB's request for the Updated Feasibility Study to the date of delivery of an Updated Feasibility Study which is subsequently accepted by KUSB, subject to a minimum payment of RM20,000, or failing such acceptance, RM10,000, all payments to be made in accordance with the terms in the Management Contract.

(c) In consideration for MRCB's provision of the Sales and Marketing Consultancy:-

   (i) KUSB shall pay MRCB the expenses incurred by MRCB for such services; and

   (ii) If MRCB secures the lessee and the lessee signs an agreement with KUSB for the lease, KUSB shall pay MRCB a fee equivalent to two (2) months net rental of the lease, or in the event KUSB decides to sell a part of a Development and the buyer was secured by MRCB, upon the purchaser signing the sale and purchase agreement, KUSB shall pay MRCB a fee, equivalent to 1.75% of the gross development value, being proceeds of the sale of such part of the Development,

   all in accordance with Section 2.3.4(d) of Part A of this Circular.

(d) The first period for payment shall commence from the date of the Management Contract up to the end of the following month and thereafter shall be bi-monthly until an NTP2 is issued for any Plot, whereby the period of payment shall be monthly. MRCB shall submit its invoice for:-

   (i) payment of management contract fees for the Initial Feasibility Study;

   (ii) payment of management contract fees for the Updated Feasibility Study;

(iii) the contract costs and management contract fees for its Sales & Marketing Consultancy together with evidence that the invoiced service has been rendered, and the expenses approved in compliance with Section 2.3.2(d)(i) of Part A of this Circular,

within seven (7) days before the end of a period for payment.

The Employer's Representative shall approve such amounts invoiced or request further information or documents from MRCB as reasonably required to verify the invoice. Upon receipt of such further information or documents from MRCB or in the absence thereof, KUSB shall similarly approve or reject the invoiced amount concerned. Payments of the approved invoiced amounts shall be made to MRCB within 45 days of KUSB's receipt of MRCB's invoice and all information and documents reasonably required to verify the invoice and shall be subject to the terms of the Management Contract.

(e) In the event KUSB fails to make payment to MRCB in accordance with Section 2.3.4(d) of Part A of this Circular, KUSB shall pay late payment interest to MRCB at the rate of 7% per annum on a daily basis on the outstanding amount from the date the payment was due to the date full payment is received. This rate was commercially negotiated between the parties and MRCB deems it to be reasonable.

(f) In consideration for MRCB's provision of the PMD Development Services, MRCB agrees that:-

(i) the fee for the PMD Development Services shall only be payable if the PMD Plot Services is carried out; and

(ii) payment of the fee for the PMD Plot Services in accordance with the EPCC Contract shall constitute full and final payment for the PMD Development Services.

(g) The Provisional Management Contract Fees payable for the Services under the Management Contract are subject to GST, and KUSB shall be liable for the payment of GST where chargeable on such fees, which shall be invoiced by MRCB and payable by KUSB in accordance with Section 2.3.4(d) of Part A of this Circular.

(h) As the EPCC Services for a Plot will be rendered pursuant to an EPCC Contract, payment for such EPCC Services shall be dealt with under the respective EPCC Contract.

(i) However, upon issuance of an NTP2, no amount will be paid until KUSB has received and approved the Performance Security as set out in Section 2.3.10 of Part A of this Circular.

2.3.5 Representations and warranties

(a) MRCB and KUSB each represent and warrant that:-

(i) it has the power, and is fully authorised, to enter into and perform the terms of the Management Contract; and

(ii) it is solvent and there is no winding up petition against it.

(b) Additionally, MRCB represents and warrants that its provision of the Services is in compliance with all applicable laws, rules or regulations and that it has obtained and will maintain the validity of all professional or business licences required to comply with such laws, rules or regulations.

2.3.6 Termination

In the event the Management Contract shall be terminated for whatever reasons, such termination shall not affect any existing EPCC Contract(s) entered into between the Parties and vice versa.

In the event any EPCC Contract(s) entered into between the Parties shall be terminated for whatever reasons, such termination shall not affect any other existing EPCC Contract(s) entered into between the Parties.

2.3.7 Termination by Employer

(a) If the Contractor fails to carry out any obligation under the EPCC Contract, the Employer may by notice require the Contractor to make good the failure and to remedy it within 14 days of receipt of such notice, or within such other reasonable time.

(b) The Employer shall be entitled to terminate the EPCC Contract if the Contractor:-

(i) fails to comply with its obligations in relation to the Performance Security (as defined herein) or with a notice issued under Section 2.3.7(a) of Part A of this Circular;

(ii) abandons the Works or otherwise plainly demonstrates the intention not to continue performance of its obligations under the EPCC Contract;

(iii) without reasonable excuse fails to proceed with the Works in accordance with the terms and conditions stated in the EPCC Contract;

(iv) subcontracts the whole of the Works or assigns the EPCC Contract without the required agreement;

(v) becomes bankrupt or insolvent, goes into liquidation, has a receiving or administration order made against it, compounds with its creditors, or carries on business under a receiver, trustee or manager for the benefit of its creditors, or if any act is done or event occurs which (under applicable laws) has a similar effect to any of these acts or events; or

(vi) gives or offers to give (directly or indirectly) to any person any bribe, gift, gratuity, commission or other thing of value, as an inducement or reward for (1) doing or forbearing to do any action in relation to the EPCC Contract, or (2) showing or forbearing to show favour or disfavour to any person in relation to the EPCC Contract; or (3) if any of the Contractor's personnel, agents or subcontractors gives or offers to give (directly or indirectly) to any person any such inducement or reward. However, lawful inducements and rewards to Contractor's personnel shall not entitle termination.

(c) In any of these events or circumstances, the Employer may, upon giving 14 days' notice to the Contractor, terminate the EPCC Contract and expel the Contractor from the place where the permanent works are to be executed and to which plant and materials are to be delivered, and any other places as may be specified in the EPCC Contract as forming part of the site ("**Site**"). However, in the case of Section 2.3.7(b)(v) or Section 2.3.7(b)(vi) of Part A of this Circular, the Employer may by notice terminate the EPCC Contract immediately.

(d) The Contractor shall then leave the Site and deliver any required goods, all Contractor's documents, and other design documents made by or for him, to the Employer. However, the Contractor shall use his best efforts to comply immediately with any reasonable instructions included in the notice (i) for the assignment without payment, of any subcontract or the benefit of any agreement for the supply of materials, goods and/or for the execution of any work for the purposes of the EPCC Contract to the extent that the same is assignable, and (ii) for the protection of life or property or for the safety of the Works.

2.3.8 Termination by the Contractor

The Contractor shall be entitled to terminate the EPCC Contract if:-

(a) the Contractor does not receive the amount due within 42 days after the expiry of the time stated in the EPCC Contract within which payment is to be made (except for deductions in accordance with the EPCC Contract);

(b) the Employer substantially fails to perform its obligations under the EPCC Contract;

(c) the Employer fails to comply with its obligation in respect of an assignment of the EPCC Contract or part thereof;

(d) a prolonged suspension affects the whole of the Works as described in the EPCC Contract; or

(e) the Employer becomes bankrupt or insolvent, goes into liquidation, has a receiving or administration order made against it, compounds with its creditors, or carries on business under a receiver, trustee or manager for the benefit of its creditors, or if any act is done or event occurs which (under applicable laws) has a similar effect to any of these acts or events.

In any of these events or circumstances, the Contractor may, upon giving 14 days' notice to the Employer, terminate the EPCC Contract. However, in the case of Section 2.3.8(d) or Section 2.3.8(e) of Part A of this Circular, the Contractor may by notice terminate the EPCC Contract immediately.

The Contractor's election to terminate the EPCC Contract shall not prejudice any other rights of the Contractor, under the EPCC Contract or otherwise.

2.3.9 Delay/performance damages

The sum of delay damages payable per day shall be 7% of the TCC portion of the Contract Price stated in the NTP2 or the portion of the TCC portion of the Contract Price for a Section stated in the NTP2, divided by 365 days. This rate was commercially negotiated between the parties and MRCB deems it to be reasonable.

2.3.10 Performance security

MRCB shall provide a performance security to ensure that it performs its obligations under the Management Contract in the form of a bank guarantee issued by a bank in Malaysia for the sum equivalent to 5% of the Contract Price ("**Performance Security**"). This rate was commercially negotiated between the parties and MRCB deems it to be reasonable.

The expiry date of the Performance Security shall be on the expiry date of the latest time for completion as specified in the NTP2 (including any extension thereof).

2.3.11 Indemnity

(a) Subject to Section 2.3.11(d) of Part A of this Circular, MRCB shall perform all of its obligations under the Management Contract at its own risk and releases KUSB, to the fullest extent permitted by the law, and shall indemnify and keep KUSB and their agents and servants indemnified from and against all claims and demands of every kind resulting from or arising out of the Services except to the extent such claims or demands are attributable to KUSB, their agents or servants.

(b) Subject to Section 2.3.11(d) of Part A of this Circular, MRCB undertakes to indemnify KUSB and keep KUSB at all times fully indemnified from and against any and all claims arising directly or indirectly as a result of any breach or non-performance of MRCB's undertakings, warranties or obligations under the Management Contract. Provided always that MRCB shall not be in breach or default in the event MRCB is unable to carry out or complete all or any portion of its undertakings, warranties or obligations under the Management Contract as a result of Force Majeure.

"**Force Majeure**" means an exceptional event or circumstance:-

(i) which is beyond a party's control,

(ii) which such party could not reasonably have provided against before entering into the Management Contract,

(iii) which, having arisen, such party could not reasonably have avoided or overcome, and

(iv) which is not substantially attributable to the other party,

and may include, but is not limited to, the following examples, so long as conditions (i) to (iv) above are satisfied:-

(1) war, hostilities (whether war be declared or not), invasion, act of foreign enemies;

(2) rebellion, terrorism, revolution, insurrection, military or usurped power, or civil war;

(3) riot, commotion, disorder, strike or lockout by persons other than MRCB's personnel and other employees of MRCB and its subcontractors;

(4) munitions of war, explosive materials, ionizing radiation or contamination by radioactivity;

(5) natural catastrophes such as earthquake, hurricane, typhoon or volcanic activity.

(c) Subject to Section 2.3.11(d) of Part A of this Circular, in respect of the Sales and Marketing Consultancy, MRCB shall indemnify and hold KUSB harmless against and from the consequences of payment of the Provisional Management Contract Fees by KUSB pursuant to Section 2.3.4(c) of Part A of this Circular as fees for consultancy services instead of for agency services under the Valuers, Appraisers and Estate Agents Act 1981.

(d) The total liability of MRCB to KUSB howsoever arising under or in connection with the Management Contract and all EPCC Contracts, in relation to its provisions of each of the Services, shall not exceed the sum equivalent to the Provisional Management Contract Fees save and except that this limit shall not apply to MRCB's liability in any case of fraud, deliberate default or reckless misconduct by MRCB.

(e) The indemnity set out in this section shall survive the termination of the Management Contract whether by completion of the Services or otherwise.

3. INFORMATION ON KUSB

KUSB was incorporated in Malaysia under the Act on 18 April 2014 as a private limited company under the name of Kwasa Development (1) Sdn Bhd. KUSB assumed its present name on 25 September 2015.

KUSB is principally involved in (i) real estate activities with own or leased property; (ii) development of buildings for own operations, i.e. for renting of space in these buildings; and (iii) land subdivision with land improvement.

As at LPD, the authorised share capital of KUSB is RM5,000,000, comprising 1,000,000 ordinary shares of RM1.00 each in KUSB ("**KUSB Shares**") and 400,000,000 preference shares of RM0.01 each in KUSB whilst the issued and paid-up share capital of KUSB is RM40 comprising 40 KUSB Shares.

As at LPD, the shareholders and directors of KUSB are as follows:-

	Nationality/	<-----------Direct---------->		<----------Indirect-------->	
Name	**Place of incorporation**	**No. of KUSB Shares held**	**%**	**No. of KUSB Shares held**	**%**
Shareholders					
EPF	Malaysia	38	95.0	2 [(1)]	5.0
Kwasa Land Sdn Bhd ("**Kwasa Land**")	Malaysia	2	5.0	-	-
Directors					
Dato' Seri Yam Kong Choy	Malaysian	-	-	-	-
Datuk Shahril Ridza Ridzuan	Malaysian	-	-	-	-
Dato' Mohamad Lotfy Mohamad Noh	Malaysian	-	-	-	-
Chaw Yoon Seong	Malaysian	-	-	-	-

Note:-

(1) *Deemed interested by virtue of it being the sole shareholder of Kwasa Land.*

4. RATIONALE FOR AND PROSPECTS OF THE PROPOSED CONSTRUCTION

The Proposed Construction, which is in the ordinary course of business of our Group, will enable our Group to undertake a large scale development and construction project which showcases our engineering and construction expertise. The Development which spans approximately 12 years will not only allow our Group to enhance our construction and engineering project pipeline but is also expected to provide our Group with a steady stream of income over the development and construction period, which in turn is expected to contribute positively to our Group's future earnings.

The Development forms part of the visionary Kwasa Damansara township project being undertaken by Kwasa Land, which is being developed on 2,330 acres of land strategically located in the vicinity of the mature surrounding suburbia of Petaling Jaya, Subang, Subang Jaya, Kelana Jaya, Shah Alam, Damansara and Sungai Buloh. Kwasa Land estimates that Kwasa Damansara will be able to generate a gross development value of RM50 billion over the next 20 years. By undertaking the Proposed Construction, our Company ultimately gains a foothold into the Kwasa Damansara project and a potential pipeline of construction projects which augurs well for our Company's financial performance in the mid to longer term period.

5. RISK FACTORS FOR THE PROPOSED CONSTRUCTION

Save as disclosed below, your Board is not aware of any other risk factor arising from the Proposed Construction which could materially adversely affect the financial position of our Company.

5.1 Non-completion of the Proposed Construction

There is a possibility that the Proposed Construction may not be completed due to failure in fulfilling the condition precedent as set out in the Management Contract within the stipulated timeframe. The Proposed Construction is conditional upon the approval from the shareholders of our Company as the Proposed Construction is deemed as an RPT in accordance with the Listing Requirements, further details of which are set out in Section 8 of Part A of this Circular.

In addition, our Company may only commence the design part and physical construction Works after an NTP1 and NTP2 have been issued to our Company respectively. Both the NTP1 and NTP2 will contain additional conditions precedent which have to be fulfilled prior to the commencement of any works.

Furthermore, in the event that the NTP1 for a Plot is not issued by 31 December 2024, the Plot shall not be developed and our Company shall not be entitled to any claim in respect of KUSB's decision not to proceed with the development of the Plot, whether for loss of profit or revenue, loss of contract or for any indirect or consequential loss or damage arising from such decision.

Nevertheless, your Board will take reasonable steps to ensure that all conditions precedent are met within the stipulated timeframe and that every effort is made to facilitate the issuance of the relevant NTP1 and NTP2 for our Company to proceed with and complete the Proposed Construction.

5.2 Construction risk

There are certain risks inherent in the construction of large scale projects such as shortages of construction materials (e.g. steel bars, cement and diesel) and skilled workers, unavailability and inefficiency of equipment, increase in prices of construction materials, labour disputes, the non-performance or unsatisfactory performance of contractors and subcontractors, adverse weather conditions, natural disasters, accidents, failure or postponement in the issuance or granting of licences, permits and approvals, and unforeseen engineering or environmental problems. Construction delays, loss of revenue and cost over-runs are likely to result from such events which could in turn adversely affect our Company's business, operations and financial performance.

Our Company will seek to mitigate these risks through, amongst others, close monitoring of the progress of our construction projects and endeavour to promptly rectify any setback in order to ensure our Company's performance is not materially and adversely affected.

Our Company has also established long-term relationships with subcontractors or suppliers and where necessary, our Company will make bulk purchase of building materials in order to reduce the risk of shortage and/or increase in prices.

5.3 Delay in completion of projects

The timely completion of a construction or development project is dependent on many external factors, including procuring the necessary approvals as scheduled, securing construction and building materials in adequate amounts and satisfactory performance by building contractors appointed to complete the development projects.

Any prolonged delay in the completion of a project could materially and adversely affect our Company's business, operations and financial performance. In addition, under the Management Contract, the sum of delay damages payable per day shall be 7% of the TCC portion of the Contract Price stated in the NTP2 or the portion of the TCC portion of the Contract Price for a Section stated in the NTP2, divided by 365 days.

To mitigate this risk, our Company shall monitor our work schedule closely and liaise with the relevant authorities or parties proactively.

5.4 Dependence on subcontractors

Generally, the construction sector is dependent on the performance of the subcontractors to ensure timely completion of the respective building and infrastructure works as per their contractual timeline. There is no assurance that any unanticipated delay due to unforeseen circumstances, shortage of supplies of construction materials or labour and unsatisfactory performance of the appointed subcontractors may not have an adverse effect on the operations and profitability of our Group. In addition, under the Management Contract, our Company shall be responsible for the acts or defaults of any subcontractors, as if they were the acts or defaults of our Company.

Nevertheless, our Group implements stringent selection criteria to ensure that only contractors with proven track record and adequate financial resources are engaged to undertake construction works for our Group's development projects. It is also our Group's current practice to award contracts to contractors on fixed terms where increases in cost or delays by such contractors will be absorbed and/or compensated by them. In addition, our Company is not dependent on any single contractor as our Company engages the services of many contractors for the development of our Company's projects. Further, our Group will also seek to mitigate such risks by close monitoring of the contractor's work progress in order to ensure timely completion of the construction projects.

5.5 Demand risks

The property and construction sectors are subject to inherent risks in terms of fluctuations in levels of demand and supply for real estate properties. High sustained levels of supply with relatively low levels of demand may result in downward pressure on property prices and likewise, profit margins of property developers and construction contractors would be affected. In such market conditions, our Company may be unable to lease or sell the proposed development for one (1) or more Plots of the Development and hence, would not earn the Sales and Marketing Consultancy fee which forms part of the Management Contract.

Furthermore, should our Company and/or KUSB fail to secure an appropriate lessee for a Plot, the NTP1 for such Plot may not be issued and the development of such Plot would be deferred. This would likely result in a reduced contract fee to be earned by our Company from the Proposed Construction. Nevertheless, your Board will take reasonable steps to ensure that every effort is made to facilitate the issuance of the relevant NTP1 and NTP2 for our Company to proceed with and complete the Proposed Construction.

5.6 Non-payment by KUSB

In consideration of the Services to be provided by our Company for the Proposed Construction, KUSB shall pay our Company the Provisional Total Contract Sum within the timeframe as specified in the Management Contract. However, there is no assurance that our Company will receive the payment within the stipulated timeframe, or any payment at all.

To mitigate this risk, our Company shall monitor any outstanding amount by analysing the monthly aging report and following up closely with KUSB. Nevertheless, under the Management Contract and EPCC Contract, KUSB shall pay late payment interest to MRCB at the rate of 7% per annum on a daily basis on the outstanding amount from the date the payment was due to the date full payment is received. In addition, our Company shall be entitled to terminate the EPCC Contract if our Company does not receive the amount due within 42 days after the expiry of the time stated in the EPCC Contract within which payment is to be made (except for deductions in relation to any claims by KUSB).

5.7 Funding and interest rate risk

Our Company may seek external financing to fund our obligations as set out in Section 2 of Part A of this Circular. Our Company's ability to secure sufficient external financing and the cost of such financing are dependent on various factors, some of which may not be within the control of our Company including general economic and capital market conditions, changes in interest rates, credit availability from banks or other lenders, any restrictions imposed by the Government and the political/socio-economic climate of Malaysia.

There can be no assurance that sufficient financing on acceptable terms will be available to our Company. In addition, our Company could potentially be exposed to fluctuations in interest rates leading to higher borrowing cost which may adversely affect our Company's results of operations and financial performance in the future as well as our ability to service our future loan repayment obligations.

To mitigate this risk, our Company intends to coordinate the cash received from its progress billings to KUSB with payments to its sub-contractors and/or consultants in order to minimise any funding gap. Hence, any bank borrowings required for the Proposed Construction, if any, will be kept at a minimum and hence, is not expected to be detrimental to the financial position of our Company.

6. EFFECTS OF THE PROPOSED CONSTRUCTION

The pro forma effects of the Proposed Construction on our Company's issued and paid-up share capital, consolidated NA per share and gearing, consolidated EPS and shareholdings of the substantial shareholders of our Company are set out below:-

6.1 Share capital and substantial shareholders' shareholdings

The Proposed Construction will not have any effect on the issued and paid-up share capital and substantial shareholdings of our Company as it does not involve an issuance of new MRCB Shares.

6.2 NA per share and gearing

For information purposes, the pro forma consolidated statements of financial position of our Company in respect of the Proposed Construction should include pro forma adjustments which are directly attributable to the event or transaction, factually supportable and consistent with our Company's applicable financial reporting framework. Directly attributable adjustment excludes those that relate to future events or are dependent on actions to be taken once the transaction has been completed, even if such actions are key to our Company entering into the transaction. This is consistent with the requirements of the International Standard on Assurance Engagements 3420.

As the Management Contract is an executory contract under which neither party has performed its obligation in respect of the Development as at the date of the Management Contract, the execution of the Management Contract will not have any effect on the pro forma consolidated statements of financial position of our Company as at 31 December 2014, had the Management Contract been executed on 31 December 2014.

In addition, as the Development spans approximately 12 years and is subject to, amongst others, updated feasibility studies being undertaken prior to the issuance of an NTP1 for each Plot, the Provisional Contract Costs for the Development and hence, the Provisional Management Contract Fees are still subject to change. Further, the development plans for the Development have yet to be submitted for regulatory approvals and hence, the manner and/or sequence of development as well as the components of each Plot have yet to be finalised. As such, it is currently too early to ascertain the expected profits to be derived by our Company from the Proposed Construction and the corresponding effects on the NA of our Company.

The actual effects on our Company's gearing will depend on actual bank borrowings to be obtained to fund our obligations under Section 2 of Part A of this Circular, if any, the quantum of which cannot be determined at this juncture.

The transaction expenses in relation to the securing of the Management Contract may be fully capitalised as contract costs in accordance with the requirements of Financial Reporting Standards 111: Construction Contracts. For information purposes, the said transaction expenses amounts to approximately RM4.63 million, which includes advisory fees, regulatory fees, printing and advertising costs, stamp duties and miscellaneous expenses.

The pro forma consolidated statements of financial position of our Company as at 31 December 2014 together with the reporting accountants' letter thereon is set out in Appendix II of this Circular.

6.3 Earnings and EPS

The Proposed Construction is not expected to have any material effect on the earnings and EPS of our Company for the FYE 31 December 2014 assuming that the Proposed Construction had been effected at the beginning of that financial year.

However, the Proposed Construction is expected to contribute positively to the future earnings and EPS of our Company over the development and construction period of the Development.

Nevertheless, as the development plans for the Development have yet to be submitted for regulatory approvals and the Provisional Contract Costs and the Provisional Management Contract Fees are still subject to change, it is currently too early to ascertain the expected profits to MRCB from the Proposed Construction.

7. APPROVALS REQUIRED FOR THE PROPOSED CONSTRUCTION

The Proposed Construction is subject to and conditional upon approvals/consents being obtained from the following:-

(i) our shareholders at an EGM to be convened; and

(ii) the approval of any other relevant authority, if required.

The Proposed Construction is not conditional upon any other corporate proposal of our Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the directors and/or major shareholders of MRCB or any persons connected to them have any interest, direct and/or indirect, in the Proposed Construction.

EPF is a major shareholder of MRCB and KUSB. Hence, EPF is deemed interested in the Proposed Construction and will abstain from voting in respect of its direct and/or indirect interest in MRCB on the resolution pertaining to the Proposed Construction to be tabled at the forthcoming EGM. EPF has undertaken that it shall ensure that all persons connected with it will abstain from voting in respect of their direct and/or indirect shareholdings in MRCB, if any, on the resolution pertaining to the said Proposed Construction to be tabled at the forthcoming EGM.

Datuk Shahril Ridza Ridzuan, a Non-Independent Non-Executive Director of MRCB, is a Director of KUSB and the Chief Executive Officer of EPF. In addition, Tan Sri Azlan Zainol, the Non-Independent Non-Executive Chairman of MRCB and Rohaya Mohammad Yusof, a Non-Independent Non-Executive Director of MRCB, are the representative and Head of Department (Capital Market Department) of EPF respectively. As such, Datuk Shahril Ridza Ridzuan, Tan Sri Azlan Zainol and Rohaya Mohammad Yusof are deemed interested in the Proposed Construction. Accordingly, the Interested Directors have abstained and will continue to abstain from all Board deliberations and voting in respect of the Proposed Construction. The Interested Directors will also abstain from voting in respect of their direct and/or indirect interest in MRCB on the resolution pertaining to the Proposed Construction to be tabled at the forthcoming EGM. The Interested Directors have undertaken that they shall ensure that all persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in MRCB, if any, on the resolution pertaining to the said Proposed Construction to be tabled at the forthcoming EGM.

The direct and indirect interests of the Interested Major Shareholder and Interested Directors in MRCB as at LPD are set out below:-

	<---------------Direct--------------->		<---------------Indirect------------>	
	No. of MRCB Shares	**%**	**No. of MRCB Shares**	**%**
Interested Major Shareholder				
EPF	685,457,897	38.37	-	-
Interested Directors				
Tan Sri Azlan Zainol	120,000	*	30,000 [1]	*
Datuk Shahril Ridza Ridzuan	500,000	0.03	-	-
Rohaya Mohammad Yusof	-	-	-	-

Notes:-

* *Negligible.*

(1) *Deemed interested by virtue of his interest in Edenview Projects Sdn Bhd pursuant to Section 6A of the Act.*

9. AMOUNT TRANSACTED WITH THE INTERESTED DIRECTORS AND INTERESTED MAJOR SHAREHOLDER FOR THE PRECEDING 12 MONTHS

Save as disclosed below, our Company has not entered into any transaction (not being a transaction within the ordinary course of business) with the Interested Directors and Interested Major Shareholder for the 12 months preceding the LPD:-

(i) Proposed subscription of new ordinary shares of RM1.00 each representing a 70% equity interest in Kwasa Sentral Sdn Bhd (formerly known as Kwasa Development (2) Sdn Bhd) ("**KSSB**")

On 30 June 2014, our Company had announced the receipt of a letter of award from Kwasa Land for the development of 64.07 acres of land identified to be the town centre of the proposed Kwasa Damansara Township ("**Project MX-1**").

Subsequently, our Company had, on 14 August 2014, entered into a shareholders' agreement with Kwasa Land and KSSB in relation to, *inter alia*, the proposed subscription of new ordinary shares of RM1.00 each representing a 70% equity interests in KSSB, a special purpose vehicle incorporated to undertake Project MX-1, for a subscription payment of approximately RM816.6 million ("**Proposed Subscription**").

The Proposed Subscription was approved by our Company's shareholders at the EGM held on 12 February 2015 and is expected to be completed by the first (1^{st}) half of 2016.

10. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Construction and the corporate exercises disclosed below, there is no other corporate exercise which has been announced on Bursa Securities and is pending completion as at LPD:-

(i) The Proposed Subscription, as set out in Section 9(i) of Part A of this Circular;

(ii) Proposed acquisition by Legasi Azam Sdn Bhd ("**LASB**") of a parcel of land with development potential from the Government of the Federal Republic of Germany ("**Government of Germany**")

On 7 April 2015, our Company had announced that LASB, a wholly-owned subsidiary of MRCB Land Sdn Bhd ("**MRCBL**"), which in turn is a wholly-owned subsidiary of MRCB, had entered into a sale and purchase agreement with the Government of Germany for the acquisition of a parcel of land together with buildings erected thereon held under Geran 34211, Lot 94, Seksyen 58, Bandar and Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur for a total cash consideration of RM259,155,708.

The proposal was subsequently completed on 23 November 2015.

(iii) Proposed disposal by MRCB of Sooka Sentral to Cardiac Vascular Sentral (Kuala Lumpur) Sdn Bhd (formerly known as KL Cardiac And Vascular Centre Sdn Bhd)

On 24 August 2015, our Company had announced that it had on 5 August 2015, entered into a sale and purchase agreement with Cardiac Vascular Sentral (Kuala Lumpur) Sdn Bhd (formerly known as KL Cardiac And Vascular Centre Sdn Bhd) for the sale of Sooka Sentral for a total consideration of RM90.8 million. Sooka Sentral consists of a five (5)-storey commercial building and one (1) level of car park located on 5,662 square meters of land.

The proposal is expected to be completed by the first (1st) quarter of 2016.

(iv) Proposed subscription of new ordinary shares and redeemable preferences shares, representing 70% equity interest in a joint venture company

On 28 October 2015, our Company had announced that MRCBL had entered into a joint venture agreement with Cyberview Sdn Bhd in relation to, *inter-alia*, the proposed subscription by MRCBL of 700,000 ordinary shares at par value of RM1.00 each and 2,688,000 redeemable preference shares at par value of RM1.00 and premium of RM99.00 each, representing 70% equity interest in CSB Development Sdn Bhd being the joint venture company for the purpose of purchasing and subsequently carrying out the development of Cyberjaya City Centre, for a total subscription payment of RM269.5 million.

The proposal is expected to be completed by the fourth (4th) quarter of 2016.

(v) Proposed privatisation agreement entered into between Rukun Juang Sdn Bhd ("**RJSB**"), the Government of Malaysia, as represented by the Ministry of Youth and Sports ("**Government**") and Syarikat Tanah dan Harta Sdn Bhd ("**Hartanah**") ("**Privatisation Agreement**")

On 28 October 2015, our Company had announced that RJSB, a 85%-owned subsidiary of MRCBL, had entered into the Privatisation Agreement relating to the refurbishment and upgrading of facilities located at the National Sports Complex in Bukit Jalil, Kuala Lumpur for a total contract sum of RM1,631,880,000.00.

The proposal is expected to be completed by the end of 2020.

(vi) Proposed private placement of up to 493,610,683 new MRCB Shares, representing up to 20% of the issued and paid up share capital of MRCB

On 16 November 2015, our Company had announcement that it is proposing to undertake a private placement of up to 493,610,683 new MRCB Shares, representing up to 20% of the issued and paid up share capital of our Company.

The proposal is expected to be completed by the second (2nd) quarter of 2016.

11. DIRECTORS' RECOMMENDATION

Your Board (save for the Interested Directors), after having considered all aspects of the Proposed Construction and after careful deliberation, is of the opinion that the Proposed Construction is in the best interests of our Company. Accordingly, your Board (save for the Interested Directors) recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Construction to be tabled at the forthcoming EGM.

The view of your Board (save for the Interested Directors) was arrived at after having considered, *inter-alia*, the terms and conditions of the Management Contract, the QS' independent analysis of the GDC for the Development, the rationale for and prospects of the Proposed Construction as well as after discussion with the advisers appointed by our Company, as set out in Section 15 of Part A of this Circular.

12. STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee (save for Rohaya Mohammad Yusof, being an Interested Director) is of the opinion that the Proposed Construction is in the best interest of our Company and the terms of the Proposed Construction are fair, reasonable and on normal commercial terms and hencc, will not be detrimental to the interests of the non-interested shareholders.

The view of the Audit Committee (save for Rohaya Mohammad Yusof, being an Interested Director) was arrived at after having considered, *inter-alia*, the terms and conditions of the Management Contract, the QS' independent analysis of the GDC for the Development, the rationale for and prospects of the Proposed Construction as well as after discussion with the Independent Adviser.

13. TENTATIVE TIMELINE FOR THE PROPOSED CONSTRUCTION

Barring any unforeseen circumstances and subject to the approvals (as set out in Section 7 of Part A of this Circular) being obtained, the tentative timeline in relation to the Proposed Construction is as follows:-

Month	Events
End December 2015	• EGM to approve the Proposed Construction • Management Contract becomes unconditional

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the Proposed Construction is expected to complete by (a) 31 December 2024, or (b) the date of completion of all EPCC Contracts (for which NTP1 were issued on or before 31 December 2024), whichever is later.

15. ADVISERS

RHB Investment Bank was appointed as the Principal Adviser for the Proposed Construction on 27 October 2015.

PCM Kos Perunding was appointed as the QS to prepare the GDC Report on 27 October 2015.

PwC was appointed as the Reporting Accountants for the Proposed Construction on 11 November 2015.

In view that the Proposed Construction is deemed as an RPT under Paragraph 10.08 of the Listing Requirements, Kenanga Investment Bank has been appointed on 28 October 2015 to act as the Independent Adviser to provide the non-interested directors and non-interested shareholders with an independent evaluation of the Proposed Construction.

16. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 21 December 2015 at 11.30 a.m. or immediately after the conclusion of the EGM which will be held at 10.30 a.m. on the same day and at the same venue, which is later or at any adjournment thereof for the purpose of considering and, if thought fit, passing the ordinary resolution to give effect to the Proposed Construction.

If you are unable to attend and vote in person at the EGM, please complete, sign and send the enclosed Proxy Form in accordance with the instructions therein as soon as possible and in any event so as to arrive at our share registrar's office at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the time fixed for the EGM or at any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

17. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board
MALAYSIAN RESOURCES CORPORATION BERHAD

TAN SRI MOHAMAD SALIM FATEH DIN
Group Managing Director

PART B

IAL TO THE NON-INTERESTED DIRECTORS AND NON-INTERESTED SHAREHOLDERS OF MRCB IN RELATION TO THE PROPOSED CONSTRUCTION

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meanings as defined in the Definitions section of the Circular, except where the context otherwise requires or otherwise as defined in the IAL. In this IAL, all references to "we", "us" or "our" are to Kenanga IB, being the Independent Adviser for the Proposed Construction. All references to "you" are to MRCB's non-interested shareholders.

This Executive Summary is intended to be a brief summary of this IAL which has been prepared by Kenanga IB as the Independent Adviser to provide the non-interested shareholders of MRCB with an independent evaluation of the Proposed Construction and to express our recommendation thereon. Non-interested shareholders should consider carefully the recommendation contained therein before voting on the resolution pertaining to the Proposed Construction at the forthcoming EGM of MRCB.

1. INTRODUCTION

On 28 October 2015, RHB Investment Bank had, on behalf of the Board, announced that MRCB had entered into a management contract with KUSB whereby KUSB had appointed MRCB as the Management Contractor to provide services in connection with the development and construction of a commercial development named Kwasa Utama on a piece of land owned by KUSB measuring 29.82 acres known as Plot C8 (part of Lot 85112) Kwasa Damansara, Mukim Sungai Buloh, Daerah Petaling, Sekysen U4, 40160 Shah Alam, Selangor Darul Ehsan for a provisional total contract sum of RM3,145,493,294 payable in cash.

In view of the interests of the Interested Directors and Interested Major Shareholder as set out in Section 8 of Part A of the Circular, the Proposed Construction is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, the Board had appointed Kenanga IB on 28 October 2015 as the Independent Adviser to advise the non-interested directors and non-interested shareholders of MRCB in respect of the Proposed Construction.

2. EVALUATION OF THE PROPOSED CONSTRUCTION

In evaluating the Proposed Construction, we have taken into consideration the following:

Section in the IAL	Area of evaluation	Kenanga IB's comments
Section 6.1	Rationale for the Proposed Construction	We are of the view that the Proposed Construction is expected to contribute positively to the earnings of MRCB over the development period and will strengthen the Company's position as one of the major players in the Malaysia construction industry. Please refer to Section 6.1 of this IAL for further details.
Section 6.2	Salient terms of the Management Contract	We are of the view that the salient terms of the Management Contract are reasonable and the general conditions that form part of the Management Contract are in line with the norm for engineering, procurement and construction ("**EPC**") contracts as reflected in the International Federation of Consulting Engineers' ("**FIDIC**") Conditions of Contract for EPC and Turnkey Projects. Please refer to Section 6.2 of this IAL for further details.

Section in the IAL	Area of evaluation	Kenanga IB's comments
Section 6.3	Financial Evaluation of the Provisional Total Contract Sum	We note that the total estimated GDC and the Provisional Management Contract Fees provided in the Management Contract are slightly higher as compared to the estimation provided by the QS. Therefore, we are of the view that the Provisional Total Contract Sum is fair and reasonable. Please refer to Section 6.3 of this IAL for further details.
Section 6.4	Financial effects of the Proposed Construction	The Proposed Construction will not have any effect on the share capital and substantial shareholders' shareholdings of MRCB. In addition, the Proposed Construction is not expected to have any immediate effect on the NA per share, gearing, earnings and EPS of MRCB for the FYE 31 December 2015. However, the Proposed Construction is expected to contribute positively to the eamings of MRCB over the development period of twelve (12) years. Please refer to Section 6.4 of this IAL for further details.
Section 6.5	Risk factors for the Proposed Construction	The Proposed Construction is not expected to significantly alter the business risk profile of MRCB. Nonetheless, we note that the Company may be exposed to additional risk factor such as financing risk from undertaking the Proposed Construction. Please refer to Section 6.5 of this IAL for further details.
Section 6.6	Overview and Prospects of the Malaysian Economy and Construction Industry	Despite the weak economic outlook, the Proposed Construction represents a good opportunity and potential for MRCB as it spans over an estimated twelve (12) years and the expected completion of the MRT line at the Development area in 2016 may contribute positively to the demand for the Proposed Construction. Please refer to Section 6.6 of this IAL for further details.

3. CONCLUSION AND RECOMMENDATION

In arriving at our recommendation, we have assessed and evaluated the Proposed Construction, taking into consideration the various factors discussed in Section 6 of the IAL.

We summarise our evaluations of the Proposed Construction as set out below:

(i) the Proposed Construction is expected to contribute positively to the earnings of MRCB over the development period and will strengthen the Company's position as one of the major player in the Malaysia's construction industry and thus the Proposed Construction is fair and reasonable;

(ii) the salient terms of the Management Contract are fair and reasonable and not detrimental to the non-interested shareholders of MRCB;

(iii) We note that the total estimated GDC and the Provisional Management Contract Fees provided in the Management Contract are slightly higher as compared to the estimation provided by the QS. Therefore, we are of the view that the Provisional Total Contract Sum is fair and reasonable;

(iv) The Proposed Construction will not have any effect on the share capital and substantial shareholders' shareholdings of MRCB. In addition, the Proposed Construction is not expected to have any immediate effect on the NA per share, gearing, earnings and EPS of MRCB for the financial year ending 31 December 2015;

(v) The risk factors as set out in Section 6.5 of this IAL and Section 5 of Part A of the Circular are not expected to significantly alter the business risk profile of MRCB and thus the Proposed Construction is fair and reasonable; and

(vi) Despite the weak economic outlook, the Proposed Construction represents opportunity and potential for MRCB as it spans over an estimated twelve (12) years up to 2027 and the expected completion of the MRT line at the Development area in 2016 may contribute positively to the demand for the Proposed Construction.

Premised on the above and on an overall basis, we are of the opinion that the Proposed Construction is **FAIR AND REASONABLE** insofar as you are concerned and are not detrimental to you.

Accordingly, we advise and recommend that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Construction to be tabled at MRCB's forthcoming EGM.

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To: The Non-Interested Shareholders of MRCB

Dear Sir/Madam,

MALAYSIAN RESOURCES CORPORATION BERHAD ("MRCB" OR THE "COMPANY")

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF MRCB ON THE PROPOSED CONSTRUCTION

*This Independent Advice Letter ("**IAL**") is prepared for the inclusion in the circular to the shareholders of MRCB dated 4 December 2015 in relation to the Proposed Construction ("**Circular**"). Definitions or defined terms used in this IAL shall have the same meanings as defined in the definitions section of the Circular, except where the context otherwise requires or where otherwise defined herein.*

1. INTRODUCTION

On 28 October 2015, RHB Investment Bank had, on behalf of the Board, announced that MRCB had entered into a management contract with KUSB, whereby KUSB had appointed MRCB as the Management Contractor to provide services in connection with the development and construction of a commercial development named Kwasa Utama on a piece of land owned by KUSB measuring 29.82 acres known as Plot C8 (part of Lot 85112) Kwasa Damansara, Mukim Sungai Buloh, Daerah Petaling, Sekysen U4, 40160 Shah Alam, Selangor Darul Ehsan for a provisional total contract sum of RM3,145,493,294 payable in cash.

In view of the interests of the Interested Directors and Interested Major Shareholder as set out in Section 8 of Part A of the Circular, the Proposed Construction is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, the Board had appointed Kenanga IB on 28 October 2015 as the Independent Adviser to advise the non-interested directors and non-interested shareholders of MRCB in respect of the Proposed Construction.

The purpose of this IAL is to provide you with our independent opinion as to whether the terms of the Management Contract are fair and reasonable and whether the Proposed Construction is detrimental to MRCB and its non-interested shareholders subject to the scope and limitations of our role and evaluation as specified herein. The non-interested shareholders should nonetheless rely on their own evaluation of the merits of the Proposed Construction before making a decision on the course of action to be taken.

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER FROM THE BOARD AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDIX, AND TO CONSIDER CAREFULLY THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED CONTRUCTION TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

Kenanga Investment Bank Berhad 15678-H
8th Floor, Kenanga International, Jalan Sultan Ismail, 50250, Kuala Lumpur, Malaysia
T +603 2164 9080 / 2162 1490 F +603 2161 4990 **www.kenanga.com.my**

2. DETAILS OF THE PROPOSED CONTRUCTION

The Proposed Construction to be undertaken by MRCB in relation to the Development, which will span over a period of approximately twelve (12) years from 2016 to 2027, is expected to comprise seven (7) Plots which consists of eight (8) office towers, one (1) block of hotel, one (1) block of auditorium and one (1) facility block. An outline of the types of development to be carried out on each Plot is set out below:

(a) Plot 1: Office towers;
(b) Plot 1A: Common facilities;
(c) Plot 2: Retail;
(d) Plot 2A: Hotel and office;
(e) Plot 3: Office Towers;
(f) Plot 4: Office Towers; and
(g) Plot 5: Office Towers.

The total estimated GDC for the Development as stated in the Management Contract amounts to approximately RM3.87 billion.

Pursuant to the terms and conditions of the Management Contract, MRCB's role as the Management Contractor shall entail the following:

(a) to provide Financial Modelling Services which comprise the preparation of the Initial Feasibility Study and the Updated Feasibility Study;

(b) to provide Sales and Marketing Consultancy;

(c) to facilitate KUSB in the Regulatory Services;

(d) provide PMD services utilising the BIM system for PMD Development Services and for the PMD Plot Services; and

(e) provide engineering, procurement, management, construction and commissioning of the works for each Plot.

The Provisional Total Contract Sum of RM3.15 billion payable by KUSB to MRCB shall comprise the following:

(a) Provisional Management Contract Fees of approximately RM0.19 billion (inclusive of GST); and

(b) Provisional Contract Costs of approximately RM2.96 billion.

Further details of the Proposed Construction are set out in Section 2 of Part A of the Circular.

Kenanga

3. **INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED**

Save as disclosed below and as set out in Section 8 of Part A of the Circular, none of the other Directors, and/or major shareholders of MRCB or any persons connected to them have any interest, direct and/or indirect, in the Proposed Construction.

EPF is a major shareholder of MRCB and KUSB. Hence, EPF is deemed interested in the Proposed Construction and will abstain from voting in respect of its direct and/or indirect interest in MRCB on the resolution pertaining to the Proposed Construction to be tabled at the forthcoming EGM. EPF has undertaken that it shall ensure that all persons connected with it will abstain from voting in respect of their direct and/or indirect shareholdings in MRCB, if any, on the resolution pertaining to the said Proposed Construction to be tabled at the forthcoming EGM.

Datuk Shahril Ridza Ridzuan, a Non-Independent Non-Executive Director of MRCB, is a Director of KUSB and the Chief Executive Officer of EPF. In addition, Tan Sri Azlan Zainol, the Non-Independent Non-Executive Chairman of MRCB and Rohaya Mohammad Yusof, a Non-Independent Non-Executive Director of MRCB, are the representative and Head of Department (Capital Market Department) of EPF respectively. As such, Datuk Shahril Ridza Ridzuan, Tan Sri Azlan Zainol and Rohaya Mohammad Yusof are deemed interested in the Proposed Construction. Accordingly, the Interested Directors have abstained and will continue to abstain from all Board deliberations and voting in respect of the Proposed Construction. The Interested Directors will also abstain from voting in respect of their direct and/or indirect interest in MRCB on the resolution pertaining to the Proposed Construction to be tabled at the forthcoming EGM. The Interested Directors have undertaken that they shall ensure that all persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in MRCB, if any, on the resolution pertaining to the said Proposed Construction to be tabled at the forthcoming EGM.

The direct and indirect interests of the Interested Major Shareholder and Interested Directors in MRCB as at the LPD are set out below:

	<---------- Direct ----------->		<----------- Indirect ----------->	
	No. of MRCB Shares	**%**	**No. of MRCB Shares**	**%**
Interested Major Shareholder				
EPF	685,457,897	38.37	-	-
Interested Directors				
Tan Sri Azlan Zainol	120,000	*	30,000 [(1)]	*
Datuk Shahril Ridza Ridzuan	500,000	0.03	-	-
Rohaya Mohammad Yusof	-	-	-	-

Notes:

* *Negligible.*

[(1)] *Deemed interested by virtue of his interests in Edenview Projects Sdn Bhd pursuant to Section 6A of the Act.*

kenanga

4. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED CONSTRUCTION

Kenanga IB was not involved in any formulation or any deliberation and negotiation on the terms and conditions of the Proposed Construction. The terms of reference of our appointment as Independent Adviser to the non-interested directors and non-interested shareholders are in accordance with the requirements set out in Paragraph 10.08(2) and (3) of the Listing Requirements. Kenanga IB's scope as Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposed Construction insofar as the non-interested shareholders are concerned based on information and documents made available to us but not limited to the following:

- Information contained in Part A of the Circular and the appendices attached thereto;
- The Management Contract;
- The GDC Report;
- Information, documents, confirmations and/or representations provided by the Board and management of MRCB, or obtained in or derived from discussions with the non-interested directors and management of the Company; and
- Other relevant publicly available information.

We have made due enquiries and have relied on MRCB, its Directors and management to exercise due care to ensure that all information, documents and representations, provided to us to facilitate our evaluation, represents a true and accurate disclosure of all facts and information in respect of the Proposed Construction and are complete in all respects. The Board has, individually and collectively, accepted full responsibility for the accuracy of the information provided and given herein and confirmed in writing that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts and/or information the omission of which would make any statement or information in this IAL materially incomplete, false or misleading as at the LPD.

We are satisfied with the sufficiency of the information provided and disclosure from the Board and management of the Company and having made all reasonable enquiries and to the best of our knowledge and belief, the information used is reasonable, accurate, complete and free from material omission and we have no reason to believe that any of the information is unreliable, misleading or inaccurate.

Our evaluations and opinions as set out in this IAL are based upon market, economic, industry, regulatory and other conditions (if applicable) and the information/documents made available to us, as at the LPD or such other relevant period as discussed herein (as the case may be). Such conditions may change significantly over a period of time. Accordingly, our evaluations and opinions in this IAL do not take into account the information, events and conditions arising after the date of this IAL or such other relevant period as discussed herein (as the case may be). We will notify the non-interested shareholders, if after the despatch of the Circular, we:

(a) become aware of significant change affecting the information contained in the IAL;

(b) have reasonable grounds to believe that a material statement in the IAL is misleading or deceptive; or

(c) have reasonable grounds to believe that there is a material omission in the IAL.

A supplementary IAL will be sent to the non-interested shareholders if there are material changes in our recommendation as set out in this IAL.

Our scope as Independent Adviser is limited to expression of an independent opinion on the Proposed Construction. In forming our opinion, we have considered factors which we believe would be of relevance and general importance to the non-interested shareholders of MRCB. In rendering our advice, we have taken note of the pertinent issues which we believe are of general importance in enabling us to form our opinion on the fairness and reasonableness of the Proposed Construction and whether the Proposed Construction is detrimental to the non-interested shareholders.

It is not within our terms of reference to express any opinion on the commercial risks or commercial merits of the Proposed Construction which remains the sole responsibility of the Board, and where comments or points of consideration are included on certain pertinent matters which may be commercially oriented, these are incidental to our overall evaluation and concern matters which we may deem material for disclosure.

Our evaluations as set out in this IAL are rendered solely for the benefit of the non-interested shareholders of MRCB as a whole. We have not taken into consideration any specific investment objective, financial situation or particular needs of any individual shareholder or any specific group of shareholders. We recommend that any individual shareholder or group of shareholders who are in doubt as to the action to be taken or require advice in relation to the Proposed Construction in the context of their individual objectives, financial situation or particular needs, to consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers.

5. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

We confirm that there is no situation of conflict of interest that exists or is likely to exist in relation to our role as the Independent Adviser to MRCB in respect of the Proposed Construction.

We have not advised MRCB in the capacity of principal adviser nor independent adviser for any corporate exercise within the past two (2) years preceding the LPD other than the Proposed Construction (which is the subject matter of the Circular).

Kenanga IB provides a range of advisory services which include, amongst others, mergers, acquisitions and divestitures, take-overs/general offers, fund raising and initial public offerings. We have significant experience in the independent analysis of transactions and issuing opinions on whether the terms and financial conditions of a transaction are deemed fair and reasonable, including those of acquisitions, disposals and general offers. Kenanga IB is an approved corporate finance adviser within the meaning of the Principal Adviser Guidelines issued by the Securities Commission Malaysia.

Our credentials and experience as an independent adviser for the past one (1) year prior to the LPD, include amongst others, the following:

(i) corporate exercises by OSK Holdings Berhad ("**OSK Holdings**") in relation to amongst others the following:

  (a) acquisition of approximately 72.4% equity interest in OSK Property Holdings Berhad ("**OSK Property**") for a total purchase consideration of RM346,403,072 to be satisfied by the issuance of 177,642,601 new OSK Holdings shares at an issue price RM1.95 per OSK Holdings share ("**Proposed OSK Property Acquisition**");

  (b) acquisition of approximately 31.6% equity interest in PJ Development Holdings Berhad ("**PJ Development**") for a total purchase consideration of RM223,636,684 to be satisfied by the issuance of 114,685,479 new OSK Holdings shares at an issue price RM1.95 per OSK Holdings share ("**Proposed PJ Development Acquisition**"); and

(c) exemption to Tan Sri Ong Leong Huat @ Wong Joo Hwa and the parties acting in concert with him, under Practice Note 9 of the Malaysian Code on Take-Overs and Mergers, 2010 ("**Code**"), from the obligation to undertake a mandatory take-over offer for all the remaining OSK Holdings shares not already held by them pursuant to the Proposed OSK Property Acquisition, the Proposed PJ Development Acquisition, the proposed mandatory take-over offer by OSK Holdings to acquire the remaining 67,850,080 OSK Property shares and the proposed voluntary take-over offer by OSK Holdings to acquire the remaining 310,459,043 PJ Development shares;

(ii) formation of a joint venture by Bumi Armada Berhad with Shapoorji Pallonji and Company Private Limited ("**SPCL**") and Shapoorji Pallonji International FZE, an indirect wholly-owned subsidiary of SPCL, to undertake the engineering, procurement, conversion and construction of a floating production, storage and offloading vessel;

(iii) corporate exercises by Eco World Development Group Berhad ("**EW Berhad**") in relation to:

(a) acquisitions of 100.0% equity interest in Eco Macalister Development Sdn Bhd *(formerly known as Bintang Dedikasi Sdn Bhd)* and Eco World Project Management Sdn Bhd for a cash consideration of RM2.00 respectively;

(b) acquisition of development rights from certain subsidiaries of Eco World Development Sdn Bhd for an aggregate cash consideration of RM3,785.8 million; and

(c) exemption to Eco World Development Holdings Sdn Bhd ("**EW Holdings**"), under Practice Note 9 of the Code, from the obligation to undertake a mandatory take-over offer for the remaining voting shares of EW Berhad not already owned by EW Holdings and the persons acting in concert with it upon the completion of subscription of EW Berhad shares for an aggregate cash consideration of RM1,371,639,649.40; and

(iv) selective capital reduction and repayment exercise by Malaysia Land Development Company Berhad pursuant to Section 64 of the Act.

Premised on the foregoing, Kenanga IB possesses the capability and competency to carry out our role as the Independent Adviser to advise the non-interested directors and the non-interested shareholders of MRCB in relation to the Proposed Construction and able to discharge our duties and responsibilities therein.

6. EVALUATION OF THE PROPOSED CONSTRUCTION

In our evaluation of the Proposed Construction, and taking into consideration the aforementioned reliance and limitation, we have considered the following factors:

(a) Rationale for the Proposed Construction;

(b) Salient terms of the Management Contract;

(c) Financial Evaluation of the Provisional Total Contract Sum;

(d) Financial effects of the Proposed Construction;

(e) Risk factors for the Proposed Construction; and

(f) Overview and Prospects of the Malaysian Economy and Construction Industry.

6.1 Rationale for the Proposed Construction

We have considered the rationale disclosed in Section 4 of Part A of this Circular.

Kenanga IB's view

We note that the Proposed Construction is in the ordinary course of business of the MRCB Group, and is expected to contribute positively to MRCB's earnings with the Provisional Total Contract Sum of approximately RM3.15 billion over the development period of approximately twelve (12) years ("Development Period"). We also note that the Proposed Construction forms part of the existing core business of the MRCB Group, namely engineering and construction.

The summary of the historical financial performance of the Group's engineering and construction ("E&C") segment for the past five (5) financial years from FYE 31 December 2010 to FYE 31 December 2014 is set out below:

	<---- Audited FYE 31 December ---->				
	2010 (RM'000)	2011 (RM'000)	2012 (RM'000)	2013 (RM'000)	2014 (RM'000)
Revenue					
MRCB Group	1,069,579	1,226,705	1,243,511	940,910	1,514,767
E&C segment - external revenue	717,616	650,960	449,597	375,991	510,743
Percentage to the MRCB Group revenue (%)	67	53	36	40	34

MRCB's revenue contribution from the E&C segment for the past five (5) financial years as set out above represents E&C segment revenue from external parties.

The declining trend of the percentage of revenue contribution from the E&C segment to the MRCB Group's revenue for the past five (5) financial years from 67% in FYE 31 December 2010 to 34% in FYE 31 December 2014 is mainly due to MRCB focusing on the Group's internal construction projects. The revenue derived from the internal construction projects was eliminated upon consolidation. The decline in the E&C segment percentage contribution was also due to higher revenue reported by the Group in other segments mainly, the property development segment. Notwithstanding the above, the revenue from the E&C segment in FYE 31 December 2014 increased to RM510.74 million from RM375.99 million in FYE 31 December 2013.

We note that MRCB possesses the requisite experience and expertise to undertake the Proposed Construction given that the E&C segment is one of the Group's major core businesses. Based on the segmental analysis as set out in the table above, the E&C segment had contributed approximately thirty-four percent (34%) to sixty-seven percent (67%) of the Group's total revenue in the past five (5) financial years. Thus the Proposed Construction with potential revenue of approximately RM3.15 billion over the Development Period represents an opportunity for MRCB to further strengthen its core business in the E&C segment.

The Proposed Construction forms part of the Kwasa Damansara development owned by Kwasa Land Sdn Bhd, a wholly-owned subsidiary of EPF. The Kwasa Damansara development is a large scale mixed development and construction project comprising approximately 2,330 acres of land with an estimated gross development value of RM50.0 billion over the next twenty (20) years.

Although the area of the Development represents only 1.28% of the entire Kwasa Damansara development, undertaking the Proposed Construction may provide opportunities for the Company to bid and secure future projects in the 2,330 acres Kwasa Damansara development. In addition such potential opportunities may contribute positively to the future earnings of the Company and allow the Company to strengthen their position as one of the major players in the Malaysian construction industry.

Furthermore, we note that the expected positive contribution to MRCB's earnings from the Proposed Construction is in line with MRCB's mission in creating and enhancing shareholders' value.

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6.2 Salient terms of the Management Contract

The salient terms of the Management Contract as set out in Section 2.3 of Part A of the Circular and our comments thereon are as follows:

Salient Terms of the Management Contract	Kenanga IB's comments
Condition Precedent *The Management Contract is conditional upon MRCB obtaining its shareholders' approval for the Proposed Construction on or before 30 April 2016 ("**Cut-Off Date**"). This condition precedent shall be fulfilled upon MRCB giving notice to KUSB that such approval has been obtained.* *If such approval is not obtained by the Cut-Off Date, then the Management Contract shall automatically terminate and the Parties shall have no claim whatsoever against the other on any matter in respect of, or arising from, the Management Contract.* *For the avoidance of doubt, the provision of any Service shall be conditional upon the fulfilment of the abovementioned condition precedent such that the provision of Services described in the Management Contract is likewise subject at all times to the said condition precedent.*	This term is reasonable as it relates to the approval required for the Proposed Construction and it provides a reasonable timeframe for MRCB to fulfil this condition precedent. In addition, as the Management Contract is conditional upon MRCB obtaining its shareholders' approval, we note that this clause ensures that MRCB will not be subject to any claims by KUSB in the event the said approval is not obtained.
Provision of the Services by MRCB ***(a) EPCC Services*** *(i) The provision of the EPCC Services for each Plot is tentatively as follows, subject however to any required variation and subject always to issuance by KUSB of an NTP1 (as defined herein) for the respective Plots:* *Plot 1 — Year 2016 to 2018* *Plot 2 — Year 2016 to 2019* *Plot 3 — Year 2016 to 2019* *Plot 1A — Year 2018 to 2020* *Plot 4 — Year 2019 to 2022* *Plot 2A — Year 2022 to 2025* *Plot 5 — Year 2024 to 2027*	The EPCC Services, which includes Regulatory Services, PMD Services and Works, are in the ordinary course of business of MRCB. This term sets out the duration of the Proposed Construction which is expected to span over a period of twelve (12) years.
*(ii) The provision of the EPCC Services is subject always to the issuance of a first notice to proceed by KUSB, which is the award of the EPCC Contract for a Plot to MRCB and for the commencement of the design part of the Works, and the Regulatory Services and PMD Services ("**Design Section**") for the particular Plot ("**NTP1**").* *(iii) KUSB shall only be obliged to issue an NTP1 for a Plot upon the lease of all lettable areas of the proposed buildings for a Plot being secured, approval by the board of directors of KUSB of the Relevant Updated Feasibility Study (as defined herein) (as notified by KUSB to MRCB), and delivery by MRCB of the documents required provided always that if a KUSB Force Majeure (as defined herein) event occurs, KUSB has the discretion to withhold issuance of any NTP1 and provided further that KUSB shall not award the EPCC Services for the Plot to anyone else.*	We note that the commencement of the EPCC Services for each Plot is subject to the issuance of the NTP1 by KUSB for the respective Plots. The NTP1 will be issued by KUSB upon the lease of all lettable areas of the proposed buildings for a Plot being secured. In the event no lessee is secured, KUSB is not obliged to issue any NTP for a Plot and consequently, MRCB would not be able to proceed with its EPCC Services for such Plot. However, the cost incurred by MRCB will be limited to cost incurred for the feasibility studies and sales and marketing consultancy, which cost and fees are payable by KUSB to MRCB under the Management Contract.

Salient Terms of the Management Contract	Kenanga IB's comments
***(a) EPCC Services** (cont'd)*	
(iv) Notwithstanding that the NTP1 is not signed nor returned to KUSB, MRCB shall be deemed to have accepted the award upon the lapse of the period for acceptance thereof. *(v) The Parties agree that the Provisional Contract Price (as defined herein) set out in the NTP1 represents the budget for the Works, and the Contract Price (as defined herein) for the Works shall be determined in accordance with the EPCC Contract and as stated in the NTP2.* *(vi) Notwithstanding the EPCC Services being based on per Plot, MRCB is responsible for delivering the entire Development (being all the Plots that are awarded to MRCB) such that the Works for each Plot is fully integrated as a development. Any works required for such integration which is inadvertently excluded from the scope of Works for a Plot is included as part of the obligations of MRCB under the Management Contract and Parties agree that as such works are to be considered part of the Works for each Plot, no specific payment is due therefor.*	The provision of the EPCC Services will be in accordance to the EPCC Contract for each respective Plot. We have reviewed the terms and general conditions of the EPCC Contract and note that the conditions are in line with the norm for EPC contracts as reflected in FIDIC's* Conditions of Contract for EPC and Turnkey Projects. Notwithstanding the aforementioned, the terms for the EPCC Services may be amended from time to time to comply with changes to KUSB's standard operating procedures. Any changes to the terms however would be subject to MRCB's written agreement. * ***FIDIC** is the International Federation of Consulting Engineers. It publishes international standard forms of contracts for works and for clients, consultants, sub-consultants, joint ventures and representatives, together with related materials such as standard pre-qualification forms.*
(b) Development Services	
*(i) Except as otherwise provided, the provision of all the Services (excluding the EPCC Services) ("**Development Services**") by MRCB is subject always to the approval of the executive director of KUSB ("**Employer's Representative**").* *(ii) If any of the Development Services to be provided by MRCB is outsourced to third parties, then such third party must be approved by the Employer's Representative, which approval shall not be unreasonably withheld.*	This term is reasonable as MRCB is responsible for the Development Services and it is reasonable for KUSB as the Employer, to impose such condition that its prior approval must be sought for the provision or assignment of the Development Services under the Management Contract.
(c) Financial Modelling Services	
(i) MRCB shall prepare and deliver the Initial Feasibility Study to KUSB for its acceptance. *(ii) MRCB shall only prepare the Updated Feasibility Study upon written request by KUSB. MRCB shall use its best endeavours to deliver the Updated Feasibility Study to KUSB within one (1) month from MRCB's receipt of KUSB's request.* *(iii) A feasibility study shall only be deemed accepted by KUSB upon the approval by the board of directors of KUSB.*	The Financial Modelling Services would be carried out by MRCB as a basis for planning the Development to meet KUSB's objective and will enable KUSB to determine the budget for the EPCC Services for KUSB to issue the NTP for each Plot.

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Salient Terms of the Management Contract	Kenanga IB's comments
(d) Sales and Marketing Consultancy *MRCB's budget of expenses for provision of the Sales & Marketing Consultancy must be approved by the board of directors of KUSB.*	We note that the sales and marketing expenses incurred by MRCB would be reimbursed by KUSB accordingly. This is in addition to the Provisional Management Contract Fees payable for the Sales and Marketing Consultancy. It is therefore reasonable for MRCB's budget of expenses to be approved by the board of directors of KUSB.
(e) Commencement and completion date *(i) The commencement and completion date of the Design Section and physical construction of the Works (other than the Design Section) shall be as stated in the NTP1 and NTP2 respectively.* *(ii) The Contractor obtaining the Certificate of Completion and Compliance given or granted under the Street, Drainage and Building Act 1974 and any by-laws made under that Act for the permanent works to be designed and executed by the Contractor under the EPCC Contract, is a requirement for the Works (other than the Design Section) or part of the Works ("Section") to be considered completed for the purposes of taking-over of the Works or part of the Works by the Employer.* *(iii) The Management Contract shall be completed by (a) 31 December 2024, or (b) the date of completion of all EPCC Contracts (which NTP1 were issued on or before 31 December 2024), whichever is later.*	This clause sets out the commencement and completion date of the Works. These terms are reasonable terms and are in line with the norm for EPC contracts as reflected in FIDIC's Conditions of Contract for EPC and Turnkey Projects.
<u>Determination of Contract Price</u> *At the date of the Management Contract, only a Provisional Contract Price is provided, as specified in the NTP1. Parties agree that the Contract Price shall only be determined after the date of the EPCC Contract as follows:* *(i) Upon delivery of the BIM design, which shall include the TCC based on such design. Based on the Parties' belief and agreement that use of BIM yields savings by creating efficiency, the TCC for the Works is expected to be reduced from the TCC portion of the Provisional Contract Price.* *(ii) If there is any adjustment to the TCC based on the BIM design or as agreed by the Parties, the Contract Price shall be determined as the aggregate of the adjusted TCC and the Professional Fees calculated as 8% of such adjusted TCC, for the Works.* *(iii) The Contract Price shall be confirmed in the NTP2.*	We note that the provision of the EPCC Services is subject to the issuance of the NTP by KUSB and the final TCC shall be determined upon completion of the updated feasibility study and will be set out in the respective NTP 2 for each Plot. As such, the Provisional Total Contract Sum may vary subject to the updated feasibility studies being undertaken prior to the issuance of the NTP 2 for each Plot. The Professional Fees of 8% of the adjusted TCC was adopted by KUSB and is similar to previous construction contracts entered into by the Company. Our comments on the contract price are set out in Section 6.3 of this IAL.

Salient Terms of the Management Contract	Kenanga IB's comments
Payment by KUSB	
(a) In consideration for MRCB's provision of the Initial Feasibility Study, KUSB shall pay RM100,000 to MRCB after completion of the Initial Feasibility Study and acceptance thereof. *(b) In consideration for MRCB's provision of an Updated Feasibility Study, if accepted by KUSB, KUSB shall pay MRCB at the rate of RM20,000 per month calculated from the date of KUSB's request for the Updated Feasibility Study to the date of delivery of an Updated Feasibility Study which is subsequently accepted by KUSB, subject to a minimum payment of RM20,000, or failing such acceptance, RM10,000, all payments to be made in accordance with the terms in the Management Contract.* *(c) In consideration for MRCB's provision of the Sales and Marketing Consultancy:* *(i) KUSB shall pay MRCB the expenses incurred by MRCB for such services; and* *(ii) If MRCB secures the lessee and the lessee signs an agreement with KUSB for the lease, KUSB shall pay MRCB a fee equivalent to two (2) months net rental of the lease, or in the event KUSB decides to sell a part of a Development and the buyer was secured by MRCB, upon the purchaser signing the sale and purchase agreement, KUSB shall pay MRCB a fee, equivalent to 1.75% of the gross development value, being proceeds of the sale of such part of the Development,* *all in accordance with Section 2.3.4(d) of Part A of this Circular.*	We note that expenses incurred for the sales and marketing consultancy by MRCB would be reimbursed by KUSB accordingly. This is in addition to the Provisional Management Contract Fees payable for the Sales and Marketing Consultancy.
(d) The first period for payment shall commence from the date of the Management Contract up to the end of the following month and thereafter shall be bi-monthly until an NTP2 is issued for any Plot, whereby the period of payment shall be monthly. MRCB shall submit its invoice for: *(i) payment of management contract fees for the Initial Feasibility Study;* *(ii) payment of management contract fees for the Updated Feasibility Study;* *(iii) the contract costs and management contract fees for its Sales & Marketing Consultancy together with evidence that the invoiced service has been rendered, and the expenses approved in compliance with Section 2.3.2(d)(i) of Part A of this Circular.* *within seven (7) days before the end of a period for payment.*	This term is reasonable as it stipulates the effective date KUSB shall assume the obligation to pay MRCB for the services rendered and the payment process for the services rendered by MRCB.

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Salient Terms of the Management Contract	Kenanga IB's comments
The Employer's Representative shall approve such amounts invoiced or request further information or documents from MRCB as reasonably required to verify the invoice. Upon receipt of such further information or documents from MRCB or in the absence thereof, KUSB shall similarly approve or reject the invoiced amount concerned. Payments of the approved invoiced amounts shall be made to MRCB within 45 days of KUSB's receipt of MRCB's invoice and all information and documents reasonably required to verify the invoice and shall be subject to the terms of the Management Contract.	Please refer to the preceding paragraph.
(e) *In the event KUSB fails to make payment to MRCB in accordance with Section 2.3.4(d) of this Circular, KUSB shall pay late payment interest to MRCB at the rate of 7% per annum on a daily basis on the outstanding amount from the date the payment was due to the date full payment is received.*	This term is reasonable as it serves to safeguard the interest of MRCB in the event KUSB fails to make payment on a timely basis and in the manner as prescribed in the Management Contact. The rate of 7% is in line with FIDIC's Conditions of Contract for EPC contracts and is higher than the Bank Negara Malaysia's current risk free rate of 4.2%*. **(Source : Bank Negara Malaysia)*
(f) *In consideration for MRCB's provision of the PMD Development Services, MRCB agrees that:* (i) *the fee for the PMD Development Services shall only be payable if the PMD Plot Services is carried out; and* (ii) *payment of the fee for the PMD Plot Services in accordance with the EPCC Contract shall constitute full and final payment for the PMD Development Services.*	This term governs the payment process in relation to the PMD Development Services.
(g) *The Provisional Management Contract Fees payable for the Services under the Management Contract are subject to GST, and KUSB shall be liable for the payment of GST where chargeable on such fees, which shall be invoiced by MRCB and payable by KUSB in accordance with Section 2.3.4(d) of Part A of this Circular.* (h) *As the EPCC Services for a Plot will be rendered pursuant to an EPCC Contract, payment for such EPCC Services shall be dealt with under the respective EPCC Contract.* (i) *However, upon issuance of an NTP2, no amount will be paid until KUSB has received and approved the Performance Security as set out in Section 2.3.10 of Part A of this Circular.*	This term is reasonable as the payment of such taxes is applicable to all consumers in Malaysia. We note that the provision of EPCC Services is subject to the issuance of the NTP and payment for such services will be in accordance to the terms of the EPCC Contracts.

Salient Terms of The Management Contract	Kenanga IB's comments
Representations and warranties *(a) MRCB and KUSB each represent and warrant that:* *(i) it has the power, and is fully authorised, to enter into and perform the terms of the Management Contract; and* *(ii) it is solvent and there is no winding up petition against it.* *(b) Additionally, MRCB represents and warrants that its provision of the Services is in compliance with all applicable laws, rules or regulations and that it has obtained and will maintain the validity of all professional or business licences required to comply with such laws, rules or regulations.*	These are common and reasonable terms which serve to safeguard the interests of both Parties, MRCB and KUSB.
Termination *In the event the Management Contract shall be terminated for whatever reasons, such termination shall not affect any existing EPCC Contract(s) entered into between the Parties and vice versa.* *In the event any EPCC Contract(s) entered into between the Parties shall be terminated for whatever reasons, such termination shall not affect any other existing EPCC Contract(s) entered into between the Parties.*	This term is reasonable as we note that any existing EPCC Contract(s) entered into between MRCB and KUSB for the respective Plot shall not be affected in the event the Management Contract or other EPCC Contracts are terminated for whatsoever reasons.
Termination by Employer *(a) If the Contractor fails to carry out any obligation under the EPCC Contract, the Employer may by notice require the Contractor to make good the failure and to remedy it within fourteen (14) days of receipt of such notice, or within such other reasonable time.* *(b) The Employer shall be entitled to terminate the EPCC Contract if the Contractor:* *(i) fails to comply with its obligations in relation to the Performance Security (as defined herein) or with a notice issued under Section 2.3.7(a) of Part A of this Circular;* *(ii) abandons the Works or otherwise plainly demonstrates the intention not to continue performance of its obligations under the EPCC Contract;* *(iii) without reasonable excuse fails to proceed with the Works in accordance with the terms and conditions stated in the EPCC Contract;* *(iv) subcontracts the whole of the Works or assigns the EPCC Contract without the required agreement;*	These terms refer to the termination by the Employer under the EPCC Contract. These termination terms are reasonable and are in line with the norm for EPC contracts as reflected in the FIDIC's Conditions of Contract for EPC and Turnkey Projects.

(v) becomes bankrupt or insolvent, goes into liquidation, has a receiving or administration order made against it, compounds with its creditors, or carries on business under a receiver, trustee or manager for the benefit of its creditors, or if any act is done or event occurs which (under applicable laws) has a similar effect to any of these acts or events; or *(vi) gives or offers to give (directly or indirectly) to any person any bribe, gift, gratuity, commission or other thing of value, as an inducement or reward for (1) doing or forbearing to do any action in relation to the EPCC Contract, or (2) showing or forbearing to show favour or disfavour to any person in relation to the EPCC Contract; or (3) if any of the Contractor's personnel, agents or subcontractors gives or offers to give (directly or indirectly) to any person any such inducement or reward. However, lawful inducements and rewards to Contractor's personnel shall not entitle termination.* *(c) In any of these events or circumstances, the Employer may, upon giving 14 days' notice to the Contractor, terminate the EPCC Contract and expel the Contractor from the place where the permanent works are to be executed and to which plant and materials are to be delivered, and any other places as may be specified in the EPCC Contract as forming part of the site (**"Site"**). However, in the case of Section 2.3.7(b)(v) or Section 2.3.7(b)(vi) of Part A of this Circular, the Employer may by notice terminate the EPCC Contract immediately.*	Please refer to the preceding paragraph.
(d) The Contractor shall then leave the Site and deliver any required goods, all Contractors' documents, and other design documents made by or for him, to the Employer. However, the Contractor shall use his best efforts to comply immediately with any reasonable instructions included in the notice (i) for the assignment without payment, of any subcontract or the benefit of any agreement for the supply of materials, goods and/or for the execution of any work for the purposes of the EPCC Contract to the extent that the same is assignable, and (ii) for the protection of life or property or for the safety of the Works.	This term sets out the obligations of MRCB in the event of a termination under the EPCC Contract by KUSB.

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Salient Terms of The Management Contract	Kenanga IB's comments
<u>Termination by the Contractor</u> *The Contractor shall be entitled to terminate the EPCC Contract if:* *(a) the Contractor does not receive the amount due within forty-two (42) days after the expiry of the time stated in the EPCC Contract within which payment is to be made (except for deductions in accordance with the EPCC Contract);* *(b) the Employer substantially fails to perform its obligations under the EPCC Contract;* *(c) the Employer fails to comply with its obligation in respect of an assignment of the EPCC Contract or part thereof;* *(d) a prolonged suspension affects the whole of the Works as described in the EPCC Contract; or* *(e) the Employer becomes bankrupt or insolvent, goes into liquidation, has a receiving or administration order made against it, compounds with its creditors, or carries on business under a receiver, trustee or manager for the benefit of its creditors, or if any act is done or event occurs which (under applicable laws) has a similar effect to any of these acts or events.* *In any of these events or circumstances, the Contractor may, upon giving 14 days' notice to the Employer, terminate the EPCC Contract. However, in the case of Section 2.3.8(d) or Section 2.3.8(e) of Part A of this Circular, the Contractor may by notice terminate the EPCC Contract immediately.* *The Contractor's election to terminate the EPCC Contract shall not prejudice any other rights of the Contractor, under the EPCC Contract or otherwise.*	These terms refer to the termination by the Contractor under the EPCC Contract. These termination terms are reasonable and are in line with the norm for EPC contracts as reflected in the FIDIC's Conditions of Contract for EPC and Turnkey Projects. These terms also serve to safeguard the interest of MRCB.
<u>Delay/performance damages</u> *The sum of delay damages payable per day shall be 7% of the TCC portion of the Contract Price stated in the NTP2 or the portion of the TCC portion of the Contract Price for a Section stated in the NTP2, divided by 365 days.*	These terms are reasonable terms and are in line with the norm for EPC contracts as reflected in FIDIC's Conditions of Contract for EPC and Turnkey Projects. The rate of 7% is within the range of rates applied in previous construction contracts entered into by the Company.
<u>Performance security</u> *MRCB shall provide a performance security in the form of a bank guarantee issued by a bank in Malaysia for the sum equivalent to 5% of the Contract Price ("Performance Security").* *The expiry date of the Performance Security shall be on the expiry date of the latest time for completion as specified in the NTP1 and NTP2 (including any extension thereof).*	These terms are reasonable terms and are in line with the norm for EPC contracts as reflected in FIDIC's Conditions of Contract for EPC and Turnkey Projects. The rate of 5% was commercially negotiated by the Parties and is similar to the rate used in previous contracts entered into by the Company.

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Salient Terms of The Management Contract	**Kenanga IB's comments**
Indemnity a) *Subject to Section 2.3.11(d) of Part A of this Circular, MRCB shall perform all of its obligations under the Management Contract at its own risk and releases KUSB, to the fullest extent permitted by the law, and shall indemnify and keep KUSB and their agents and servants indemnified from and against all claims and demands of every kind resulting from or arising out of the Services except to the extent such claims or demands are attributable to KUSB, their agents or servants.* b) *Subject to Section 2.3.11(d) of Part A of this Circular, MRCB undertakes to indemnify KUSB and keep KUSB at all times fully indemnified from and against any and all claims arising directly or indirectly as a result of any breach or non-performance of MRCB's undertakings, warranties or obligations under the Management Contract. Provided always that MRCB shall not be in breach or default in the event MRCB is unable to carry out or complete all or any portion of its undertakings, warranties or obligations under the Management Contract as a result of force majeure.* c) *Subject to Section 2.3.11(d) of Part A of this Circular, in respect of the Sales and Marketing Consultancy, MRCB shall indemnify and hold KUSB harmless against and from the consequences of payment of the Provisional Management Contract Fees by KUSB pursuant to Section 2.3.4(c) of Part A of this Circular as fees for consultancy services instead of for agency services under the Valuers, Appraisers and Estate Agents Act 1981.* d) *The total liability of MRCB to KUSB howsoever arising under or in connection with the Management Contract and all EPCC Contracts, in relation to its provisions of each of the Services, shall not exceed the sum equivalent to the Provisional Management Contract Fees save and except that this limit shall not apply to MRCB's liability in any case of fraud, deliberate default or reckless misconduct by MRCB.* e) *The indemnity set out in this section shall survive the termination of the Management Contract whether by completion of the Services or otherwise.*	These terms are set out to protect the interest of KUSB in the event of any breach or non-performance of MRCB's undertakings, warranties or obligations under the Management Contract. This terms are reasonable as MRCB's total liability arising from its provision of each of the Services under the Management Contract and all EPCC Contracts, is limited to the sum equivalent to the Provisional Management Contract Fees.

Kenanga IB's view

Based on the aforementioned, we are of the view that the salient terms of the Management Contract are reasonable and the general conditions that form part of the Management Contract are in line with the norm for EPCC contracts as reflected in FIDIC's Conditions of Contract for EPC and Turnkey Projects.

6.3 Financial Evaluation of the Provisional Total Contract Sum

6.3.1 Provisional Total Contract Sum

The total estimated GDC of RM3.87 billion ("**Estimated GDC**") represents the total estimated cost to be incurred by KUSB in relation to the Development. The Provisional Total Contract Sum of RM3.15 billion refers to the provisional total contract sum payable by KUSB to MRCB in relation to the provision of Services by MRCB.

In providing our opinion on the fairness and reasonableness of the Provisional Total Contract Sum, we have relied on the GDC Report prepared by the independent quantity surveyor appointed by the Board to undertake an independent analysis of the Estimated GDC and the Provisional Management Contract Fees.

PCM Kos Perunding was established in 1995 and has approximately twenty (20) years of practice in the quantity surveyor industry. PCM Kos Perunding's core services is to provide professional quantity surveying, project construction cost and management consultancy services to the public and private sectors. PCM Kos Perunding is experienced in various projects, including but not limited to commercial and hotel buildings and mixed development projects.

The Estimated GDC for the Development and the Provisional Total Contract Sum for the Proposed Construction, as extracted from the Management Contract *vis-a-vis* the GDC Report are set out below:

Estimated GDC of the Development	**Management Contract (RM'000)**			**GDC Report (RM'000)**	
	Total Estimated GDC	**Provisional Total Contract Sum**	**Note**	**Total Estimated GDC**	**Provisional Total Contract Sum**
Land cost *	389,688	-		389,688	-
TCC	2,648,075	2,648,075	(i)	2,750,010	2,750,010
Authority and Statutory Charges*:	195,958	-	(ii)	91,600	-
- *Capital contribution charges*	*n/a*	-		*86,500*	-
- *Submission fees*	*n/a*	-		*5,100*	-
Professional fees	211,925	211,925	(iii)	198,002	198,002
Sales & Marketing expenses	98,244	98,244	(iv)	67,164	67,164
Office overheads and administration *	83,198	-		81,352	-
Financing cost ^	57,662	-		-	-
Provisional Contract Cost	**3,684,750**	**2,958,244**		**3,577,816**	**3,015,176**
Provisional Management Contract Fees	187,249	187,249		186,382	186,382
Total estimated GDC	**3,871,999**	**3,145,493**		**3,764,198**	**3,201,558**
Premium to the Management Contract				***107,801***	

* The land cost, authority and statutory charges, office overheads and administrative expenses and financing cost will be borne by KUSB and thus are not included in the Provisional Total Contract Sum payable by KUSB to MRCB.

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^ The GDC Report does not take into consideration the financing costs for the Proposed Construction as the QS does not possess the necessary expertise to provide an estimation on the financial costs in relation to the Proposed Construction. The financing cost is to be borne by KUSB and hence there is no impact to the Provisional Total Contract Sum payable by KUSB to MRCB.

We have reviewed and are satisfied with the basis and assumptions adopted by the QS in arriving at the total estimated GDC of RM3.76 billion, which are summarised in note (i) to (iii) below. The executive summary of the GDC Report is enclosed as Appendix I of this Circular.

Notes:

(i) TCC

The TCC of RM2.75 billion estimated by the QS comprises of various cost elements, namely building works for the structural framing of the building; preliminaries cost for the setting up of temporary site for the Development; sub-structure works, mechanical & electrical works, connecting works to the major infrastructure facilities; provisional sum for potential ancillary buildings such as TNB sub-station; provisional sums for building features enhancement, contingency cost and GST.

There are four (4) primary methods used in the construction industry in arriving at the estimated cost for building works, namely the Project Comparison Estimating, Elemental Cost Plan Method, Unit Price Method and the Unit Rate Method. These methods are normally used during the preliminary stage of construction where the information pertaining to the projects are yet to be fully developed and the output is normally used for preliminary budgeting purposes.

a) Project Comparison Estimating

The Project Comparison Estimating utilises historical cost data comparison method of projects with similar parameters such as the building type, etc. The Project Comparison Estimating method was not adopted by the QS for the Development as this method has a lower level of accuracy with an error of margin between 20% to 25%.

b) Elemental Cost Plan Method

The Elemental Cost Plan Method involves a segregation of cost breakdown for a particular section of works such as piling or substructure works, frame and roofing works, where approximate quantities of each element will be generated to reflect the works for each element and by employing a particular unit rate, the cost of that particular element will be generated. This method is appropriate for projects where the development design is at least 50% complete and hence may not be applicable for the estimation of the GDC for the Development at this juncture.

c) Unit Price Method

Unit Price Method is employed where the bills of quantities can be produced as the detailed designs are fairly completed. The overall quantities for each element or section of works can be precisely broken down and calculated as the designs are adequately detailed. Subsequently, each item will be inserted with a unit rate for that particular item and then totalled to give an amount for that particular section. This method is appropriate for projects where the details designs are fairly completed and the bills of quantities can be produced, and hence may not be applicable for the estimation of the GDC for the Development at this juncture.

d) Unit Rate Method

The unit rate method involves the use of a single functional unit per square foot ("**sq ft**") that serves as a multiplier. Historical data from previous similar construction projects, such as a thirteen floor commercial office building development in Putrajaya, is used to arrive at the single functional unit per sq ft. This functional unit per sq ft is then multiplied by the gross floor area for each Plot. An illustration of the unit rate method used for the computation of building works for Plot 1 – Office Tower is as follows:

Plot	Unit rate per sq feet (RM)	Gross floor area (sq ft)	RM
Plot 1 – Office Tower	150	527,930	79,189,500

The QS has adopted the unit rate method in arriving at the estimated cost for the building works which forms part of the TCC of the Development based on the following reasons:

- Gross floor area and preliminary layout plans for each Plot has been determined and provided by MRCB, as set out in the GDC Report; and
- The building type and the intended function for each Plot has also been determined which allows the QS to allocate a particular unit rate for each type of building based on the respective gross floor area to arrive at the estimated building works cost for each Plot.

The estimated cost for building works was arrived at using the comparable unit rate method whilst the other cost elements were computed based on a percentage of the buildings works or the sum thereof.

As set out in the GDC Report, the unit rate method approach is widely used and accepted in the construction industry in the preliminary stage due to the level of information provided and hence is the most reflective method to provide the preliminary estimation of the GDC of the Development at this juncture.

(ii) Authority and Statutory Charges

The authority and statutory charges are fees to be charged by the relevant authorities in relation to the application for, and obtaining of, the approvals required for the Development or the Works by KUSB. Such authorities include any statutory body having jurisdiction over the Development or the Works and any company or body authorised to provide water, electricity, telephone, sewerage and other related services.

The Authority and Statutory Charges of the Management Contract was arrived at based on the estimated rate adopted by KUSB of 7.4% of the TCC, whilst the Authority and Statutory Charges in the GDC Report was arrived at based on the relevant Government agencies guidelines.

Notwithstanding the above, as set out in the Management Contract, the Authority and Statutory Charges will be borne by KUSB, and hence there will be no impact to the Provisional Total Contract Sum payable by KUSB to MRCB.

(iii) Professional fees

The professional fees represent payments to consultants to be engaged for the Development which includes architects, civil and structural engineers, mechanical and electrical engineers, quantity surveyors and any other consultants required for the Proposed Construction.

The professional fees in the Management Contract was based on the TCC of RM2.65 billion, whilst the professional fee in the GDC Report was based on the construction cost of RM2.47 billion that has excluded contingency and GST.

(iv) Sales and marketing expenses

The sales and marketing expenses represent expenses to be incurred by MRCB in relation to the marketing of the Development which include, amongst others, advertising, promotional costs, press and public relations, marketing collateral and publication. As set out in the Management Contract, the sales and marketing expenses incurred by MRCB will be reimbursed by KUSB.

The sales and marketing expenses set out in the Management Contract is based on KUSB's estimation of the costs to be incurred, whilst the QS estimation of the sales and marketing expenses in the GDC Report is based on a percentile factor of 1.5% of the estimated gross development value.

6.3.2 Provisional Management Contract Fees

The Provisional Management Contract Fees represents the fees payable to MRCB for the Services rendered by MRCB under the Management Contract. These Services include the provision of financial modelling services, sales and marketing consultancy and EPCC Services. The comparison of the Provisional Management Contract Fees provided in the Management Contract *vis-a-vis* GDC Report is set out below:

Provisional Management Contract Fees	Management Contract RM'000	GDC Report RM'000	Basis *
EPCC Services:			
- Regulatory services	9,798	4,580	5% of authority and statutory charges
- PMD services	10,596	9,900	5% of professional fees
- Works	132,404	137,500	5% of TCC
Financial modelling	100	100	
Sales and marketing consultancy	23,752	23,752	
	176.650	175,832	
GST of 6%	10,599	10,550	
Total	**187,249**	**186,382**	

* *The percentile factor of five percent (5%) and the fees for financial modelling and sales and marketing consultancy of RM0.10 million and RM23.75 million respectively were provided by MRCB based on the commercially negotiated terms agreed between the Parties as stipulated in the Management Contract.*

Please refer to the executive summary of the GDC Report as set out in Appendix I of the Circular for further details in relation to the Provisional Total Contract Sum and the Provisional Management Contract Fees.

Kenanga IB's View

Based on the abovementioned, we note that the Estimated GDC for the Development under the Management Contract is higher compared to the GDC estimated by the QS by RM0.11 billion or three percent (3%). We further note that the Provisional Management Contract Fees provided in the Management Contract of RM187.2 million is RM0.8 million higher compared to the QS estimation of RM186.4 million. Therefore, we are of the view that the Management Contract's Estimated GDC of RM3.87 billion and in turn the Total Provisional Contract Sum of RM3.15 billion are FAIR and REASONABLE.

The rate of five percent (5%) for the authority and statutory charges, professional fees and TCC for EPCC Services is based on commercially negotiated terms by the Parties. Although the total earnings from the EPCC Services is RM152.79 million, the EPCC Services forms part of the Management Contract and contributes to the lump sum Provisional Total Contract Sum of RM3.14 billion.

Notwithstanding the above, non-interested shareholders should note that the GDC estimated by the QS was prepared based on the prevailing economic, market and other conditions as at the date of the GDC Report, as well as publicly available information and information provided by the Company as at the LPD. Events and conditions subsequent to the LPD, such as changes in the building design and construction material cost over the Development Period may significantly change the basis and assumptions used which may materially affect the total GDC estimated by the QS. However, the Total Provisional Contract Sum of RM3.15 billion is only provisional at this juncture and may vary over the Development Period. The actual contract price will only be determined based on the feasibility studies and shall be confirmed in the NTP2.

6.4 Financial effects of the Proposed Construction

We have noted the financial effects of the Proposed Construction as set out in Section 6 of Part A of the Circular.

Kenanga IB's view

(i) The Proposed Construction will not have any effect on the issued and paid-up share capital of MRCB and its substantial shareholders' shareholdings as the Proposed Construction does not involve the issuance of any new shares;

(ii) The Proposed Construction is not expected to have any material effect on the earnings and EPS of MRCB for the FYE 31 December 2015 as the Proposed Construction is only expected to commence upon the issuance of an NTP1 by KUSB in the future; and

(iii) The Proposed Construction is not expected to have any material effect on the consolidated NA per share and gearing of MRCB for the FYE 31 December 2015.

Notwithstanding the above, the non-interested shareholders should note that the Proposed Construction, barring any unforeseen circumstances is expected to contribute positively to the future earnings of MRCB in the next twelve (12) years. Nevertheless, in view the development plan for the Development is not finalised, the Provisional Contract Costs and the Provisional Management Contract Fees are still subject to changes and hence the expected profit for MRCB from the Proposed Construction cannot be determined at this juncture.

In addition, the Company could potentially be exposed to high financial obligations if MRCB opts to finance the Proposed Construction through borrowings, if any, which could in turn adversely affect the Company's NA gearing, which is further discussed in Section 6.5 below.

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6.5 Risk Factors for the Proposed Construction

In evaluating the Proposed Construction, the non-interested shareholders should carefully consider the potential risk factors as set out in Section 5 of Part A of the Circular before voting on the resolution pertaining to the Proposed Construction at the forthcoming EGM of MRCB.

We wish to highlight the following additional risk factor (which may not be exhaustive), which may have an effect on the Company:

(i) Financing risk

As set out in Section 2.2 of Part A of the Circular, we note that the Proposed Construction will be funded via internally generated funds and/or bank borrowings, where required. The amount of bank borrowings, if any, cannot be determined at this juncture as the Development is expected to span over the next twelve (12) years and is subject to amongst others, the feasibility studies being updated prior to the issuance of the NTP1 for each Plot

In the event MRCB seeks bank borrowings to finance the Proposed Construction, the Company could potentially be exposed to high borrowing cost. MRCB may also be subjected to covenants to be imposed by such financier, if any, and this may limit the Company's operating and financing flexibility. Based on the audited financial statement for the FYE 31 December 2014, MRCB recorded borrowings of RM3.69 billion with a net gearing ratio of 153%.

Nevertheless, MRCB intends to coordinate the cash received from its progress billing to KUSB with payments to its sub-contractors and/or consultants in order to minimise any funding gap. As such, any bank borrowings required for the Proposed Construction, if any, will be kept at a minimum and not be detrimental to the financial position of the Company.

Kenanga IB's view

We note that the aforementioned risk factors as set out above and Section 5 of Part A of the Circular are common business risk of MRCB and are not expected to significantly alter the business risk profile of the Company.

We further note that although measures may be taken by the Board and management of MRCB to attempt to limit/mitigate the risk as highlighted herein, no assurance can be given that the risk will not crystallize and give rise to material and adverse impact on the business of MRCB, its competitiveness, financial performance, financial position and/or the Company's prospects thereon.

Notwithstanding the above, MRCB is expected to benefit from undertaking the Proposed Construction, which has a Provisional Total Contract Sum of approximately RM3.15 billion. However, the non-interested shareholders should note that the Proposed Construction is estimated to be completed over a span of twelve (12) years up to 2027. Therefore, MRCB may only be able to progressively realize the revenue estimated from the Proposed Construction until the full completion in 2027.

6.6 Overview and Prospects of the Malaysian Economy and Construction Industry

In evaluating the prospects of the Proposed Construction, we have considered the overview and prospects of the Malaysian economy as well as the construction sector of Malaysia and the property market in Klang Valley, where the Development is located.

6.6.1 Overview and outlook of the Malaysian economy

The Malaysian economy remains resilient despite a more challenging external environment, including moderate global growth, declining commodity prices and volatility in financial markets. Real gross domestic product ("**GDP**") grew by 5.3% during the first half of 2015 supported by steady domestic demand, particularly private sector expenditure.

As a small and highly open economy, Malaysia is vulnerable to developments in the external environmental. However, structural reforms undertaken over the years to diversify the economy and strengthen the financial system have placed the economy on a stronger footing as well as enhanced its resilience to weather the external challenges. Real GDP is expected to register a growth of 4.5% - 5.5% in 2015 (2014: 6%) supported by resilient domestic economic activity. The national income, as measured by the Gross National Income ("**GNI**"), is estimated to increase by 5.5% to RM1.13 trillion with income per capita growing by 4.2% to RM36,397 (2014: 8.6%; RM1.07 trillion; 7.2%; RM34,945).

Domestic demand will be the main driver of growth amid external uncertainties, supported by private sector expenditure. Private consumption is expected to remain strong underpinned by stable employment and continued wage growth. Private investment is anticipated to expand, albeit at a moderate pace, driven largely by capital spending in the manufacturing and services sectors. Public investment is expected to rebound, attributed to higher capital spending by the Federal Govemment and public corporations. Federal Government development expenditure is expected to expand mainly led by construction of major infrastructure projects. Meanwhile, public consumption is anticipated to register a lower growth in line with fiscal consolidation efforts.

Headline inflation averaged 1.9% in the first eight months of 2015 compared with 3.3% during the corresponding period in 2014. Despite the implementation of the Goods and Services Tax ("**GST**") on 1 April 2015, inflation remained benign following lower oil pump prices with the implementation of the managed float fuel pricing mechanism. In addition, the list of zero-rated items, which covers 30% of the Consumer Price Index basket, helped to cushion the impact of GST. Given that the near-term outlook of commodity prices and global inflation remains subdued, domestic inflation is expected to be in the range of 2% – 2.5% in 2015.

The projection for growth in 2016 takes into account concerns over the severity of growth slowdown in emerging markets, particularly China. Other downside risks include declining commodity prices, rising volatility in financial markets and depreciating currencies of emerging economies. Against the backdrop of increased uncertainty in the global economy, growth in the Malaysian economy will be driven by domestic demand, with private expenditure as the main anchor, while public expenditure will increase moderately.

Strong economic fundamentals such as benign inflation and stable employment supported by an accommodative monetary policy are expected to support growth. Thus, the Malaysian economy is expected to remain on a steady growth path, expanding between 4% - 5% in 2016. The nominal GNI per capita is expected to increase by 5.6% to RM38,438 in 2016 (2015: 4.2%; RM36,397).

In 2016, the impact of GST on prices is expected to wane, while the weakening ringgit may lead to higher prices in some imported goods. However, this will be mitigated by weak commodity prices and lower global inflation. Furthermore, the economy is expected to operate in line with its potential output without any significant upward pressure on domestic prices. Hence, inflation is expected to remain stable at 2% – 3% for 2016.

(Source: Economic Report 2015/16, Chapter 3, Economic Performance and Prospects, Ministry of Finance)

6.6.2 Overview and outlook of the construction sector

Value-added construction sector grew at a moderate pace of 7.7% during the first half of 2015 (January to June 2014: 14.5%) on slower civil engineering and residential activities. The total value of construction work completed during the first half of 2015 expanded by 11.6% to RM56 billion with 20,056 construction projects registered (January to June 2014: 15.7%; RM50 billion; 19,649 projects). The non-residential subsector contributed 34.7% to the value.of construction work, followed by civil engineering (30.4%), residential (30.2%) and specialised construction activities (4.7%) subsectors. The private sector continued to dominate construction activities with a share of 67.7% in the first half of 2015. Amid the moderate growth outlook, the construction sector is expected to expand by 8.8% in 2015 (2014: 11.8%).

In the non-residential subsector, construction activity grew by 14.5% (January to June 2014: 14.2%) as reflected in the expansion of incoming supply, particularly in the shop, shopping complex and industrial segments at 27.8%, 11.3% and 9.6% respectively, (January to June 2014: 8.7%, 20%, 0.2%). The Purposed-Built Office ("PBO") segment registered a significant increase in construction starts to 251,916 square metres ("sm") despite the contraction in incoming supply by 7.5% in the first half of 2015 (January to June 2014: 7,764 sm; -16.4%). The shop overhang increased by 2.2% to 4,915 units with a total value of RM1.9 billion during the period (January to June 2014: 9%; 4,810 units; RM1.5 billion). However, the demand for commercial buildings remained stable with the average occupancy rate of office and retail space at 84.2% and 81.6% respectively, reflecting sustained demand, particularly for commercial space located in prime areas. As at end-June 2015, the existing stock of PBO and shopping complexes stood at 19.8 million sm and 13.2 million sm respectively (end-June 2014: 19.1 million sm; 12.4 million sm).

The Purpose-Build Office Rent Index Wilayah Persekutuan Kuala Lumpur ("PBO-RI WPKL") increased by 3.5% to 123.7 points in the second quarter of 2015 (Q2 2014: 4.1%; 119.5 points). This was on account of the positive growth across the four regions, namely Kuala Lumpur City Centre-Gold Triangle ("KLCC-GT"), Central Business District ("CBD"), Within City Centre ("WCC") and suburban. KLCC-GT recorded the highest rental increase at 4.6% to RM5.72 pre square feet (psf), surpassing the average office rental in Wilayah Persekutuan Kuala Lumpur at RM4.44psf. the increase was influenced by upgraded services and facilities provided in office buildings in the KLCC-GT region. The rental in WCC registered an increase of 2% to RM4.62 psf, the lowest among the four regions.

The construction sector is projected to increase by 8.4% in 2016 (2015: 8.8%), largely driven by infrastructure projects. The sector is expected to benefit, particularly from civil-engineering activities such as Pan-Borneo Highway, MRT Line 2 and Pengerang Integrated Complex project. Meanwhile, the non-residential subsector is expected to expand led by ongoing construction of commercial buildings.

(Source: Economic Report 2015/16, Chapter 3, Economic Performance and Prospects, Ministry of Finance)

6.6.3 Overview and outlook of the property market in Klang Valley for office and retail spaces

Office spaces

Office spaces in the Klang Valley registered a mixed performance in 2014. Prime office space in the city centre remained vibrant backed by well-established localities and well-connected infrastructure.

The PBO sector experienced slower take-up rates in second half 2014. However average prime rents for PBO remained steady at RM7.00 psf in 2014 while occupancy rates dropped slightly from 86% to 84.5%.

Total office space in Klang Valley grew by 2.09 million sq ft from 2013, reaching 95.15 million sq ft by 2014. Cumulative supply of office space is projected to increase to 99.98 million sq ft by 2015.

Towards the end of 2014, the global investment climate experienced much uncertainty which may dampen foreign investments in Malaysia. However the impending implementation of GST in April 2015, which will increase the cost of transfers/leasing of commercial space is not likely to affect the PBO sector.

Despite the weak economic outlook, domestic demand for PBO is expected to remain robust. 2015 and 2016 will see further interest in the office market in Greater KL especially in the Petaling Jaya area as the MRT Sungai Buloh – Kajang line is on schedule, with its completion of construction is set at 2016. Completion of the MRT will enhance connectivity between the city centre and fringe areas.

Overall the PBO market in Klang Valley was stable, with Grade A office space in the city centre highly sought after by MNCs. The growing competitiveness in 2015 will push up the vacancy rate of PBO. With an estimated 4.83 million sq ft of office space slated for completion, rental rates are likely to remain unchanged in 2015.

(Source: 2015 Property Market, C H Williams Talhar & Wong)

Retail spaces

The Klang Valley had total retail space of 49.03 million sq ft in 2014, with average occupancy rate at around 88%. The average rental rate in prime retail malls remained healthy at RM22 psf in 2014. Rents continued to remain stable but capital values increased faster.

The supplies of retail space remained concentrated in Kuala Lumpur (i.e. 54%) where retail spaces located outside Kuala Lumpur and Petaling Jaya area formed the remaining 46%. Retail malls located within Kuala Lumpur continued to outperform those located outside Kuala Lumpur, with the former registered vacancy rate of 12.0% while the latter has doubled compared to 2013, which was 24.5% in 2014.

The retail sector is expected to stay quiet but buoyant in 2015, with new retail mall owners likely to experience increased difficulties in maintaining occupancy rates in view of the likely completion of more malls in 2015.

(Source: 2015 Property Market, C H Williams Talhar & Wong)

<u>Kenanga IB's view</u>

Based on the aforementioned, we note that despite a slowdown and increased uncertainty in the global economy, the Malaysian economy remains resilient and is expected to continue on a steady growth path with a nominal GNI per capital to increase by 5.6% in 2016.

In addition, we note that amid the moderate growth outlook, the construction sector is expected to expand 8.8% in 2015 and 8.4% in 2016, largely driven by infrastructure projects, such as the MRT Line 2. Furthermore, the demand for commercial buildings in 2015 remained stable with the average occupancy rate of office and retail space at 84.2% and 81.6% respectively, reflecting sustained demand, particularly for commercial space located in prime area. Additionally, we anticipate there will be further interest in the office market in Greater KL particularly in the Petaling Jaya area in 2016 with the completion of the MRT Sungai Buloh – Kajang Line, which will enhance the connectivity between the city center and fringe areas.

In view that the Development is over a span of twelve (12) years, coupled with the expected completion of the MRT line around the Development area in 2016, we are of the view that the prospects for the construction sector and property market within the Klang Valley are expected to remain robust and the growth outlook remains favourable for the coming years.

7. FURTHER INFORMATION

Non-interested shareholders of MRCB are advised to refer to Part A and the appendices of the Circular for further information.

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8. CONCLUSION AND RECOMMENDATION

In arriving at our recommendation, we have assessed and evaluated the Proposed Construction, taking into consideration the following factors:

(i) the Proposed Construction is expected to contribute positively to the earnings of MRCB over the Development Period and will strengthen the Company's position as a lead player in the Malaysia's construction industry and thus the Proposed Construction is fair and reasonable;

(ii) the salient terms of the Management Contract are fair and reasonable and not detrimental to the non-interested shareholders of MRCB;

(iii) We note that the Estimated GDC and the Provisional Management Contract Fees provided in the Management Contract are slightly higher as compared to the estimation provided by the QS. Therefore, we are of the view that the Provisional Total Contract Sum is fair and reasonable;

(iv) The Proposed Construction will not have any effect on the share capital and substantial shareholders' shareholdings of MRCB. In addition, the Proposed Construction is not expected to have any immediate effect on the NA per share, gearing, earnings and EPS of MRCB for the financial year ending 31 December 2015;

(v) The risk factors as set out in Section 6.5 of this IAL and Section 5 of Part A of the Circular are not expected to significantly alter the business risk profile of MRCB and thus the Proposed Construction is fair and reasonable; and

(vi) Despite the weak economic outlook, the Proposed Construction represents opportunity and potential for MRCB as it spans over an estimated twelve (12) years up to 2027 and the expected completion of the MRT line at the Development area in 2016 may contribute positively to the demand for the Proposed Construction.

After taking into consideration the abovementioned factors and on an overall basis, we are of the opinion that the Proposed Construction is FAIR AND REASONABLE and is not detrimental to the interests of the non-interested shareholders of MRCB.

Accordingly, we recommend that the non-interested shareholders of MRCB VOTE IN FAVOUR of the ordinary resolution pertaining to the Proposed Construction to be tabled at the forthcoming EGM of the Company.

Yours faithfully,
For and on behalf of
KENANGA INVESTMENT BANK BERHAD

ROSLAN HJ TIK Executive Director, Head Group Investment Banking	**DATUK CHAY WAI LEONG** Managing Director

EXECUTIVE SUMMARY OF THE GDC REPORT

PCM

PCM KOS PERUNDING SDN BHD
(No. ROC : 359690-H) [No.LJBM : 2009 / FC 00437]
4-4, Jalan Kuchai Maju 10, Kuchai Entrepreneurs' Park, Off Jalan Kuchai Lama, 58200 Kuala Lumpur.
Tel : 03-7987 9969, 03-7987 8969 Fax : 03-7987 6898
Email : pcmkos@pcmkos.com Website : www.pcmkos.com GST NO. 001944145920

27 October 2015

Our Ref: PCM/MRCB/C-8/1/2015

The Board of Directors
Malaysian Resources Corporation Berhad
Level 30, Menara Allianz Sentral
No 203, Jalan Tun Sambanthan
Kuala Lumpur Sentral
50470 Kuala Lumpur

Dear Sir or Madam:

EXECUTIVE SUMMARY OF THE INDEPENDENT GROSS DEVELOPMENT COST ("GDC") ANALYSIS REPORT DATED 27 OCTOBER 2015 ("GDC REPORT") FOR THE COMMERCIAL DEVELOPMENT ON PLOT C8, KWASA UTAMA CONSISTING OF EIGHT (8) OFFICE TOWERS, ONE (1) HOTEL, ONE (1) AUDITORIUM, ONE (1) FACILITIES BLOCK ("PROPOSED DEVELOPMENT") BY KWASA UTAMA SDN BHD (FORMERLY KNOWN AS KWASA DEVELOPMENT (1) SDN BHD ("KUSB")

The Executive Summary of the GDC Report was prepared for inclusion in the Circular to the shareholders of Malaysian Resources Corporation Berhad dated 4 December 2015 *in respect of the above mentioned Proposed Development.*

In accordance with our appointment by your good self to perform an independent analysis of the GDC of the Proposed Development, we have subsequently concluded our report and the salient details of our report are as follows:-

1.1 PROJECT BACKGROUND

1.1.1 The project is located at Plot C-8 which is a part of new sustainable community township measuring 2,330 acres known as Kwasa Damansara in the heart of Klang Valley. Kwasa Damansara comprises of a modern development mix of residential, commercial, recreational and educational facilities which boasts an integrated transportation system that links the whole mega township via an MRT network, four (4) expressways and a nearby Sky Park Terminal (airport) to the rest of the Klang Valley and the country.

1.2 REPORT METHODOLOGY

1.2.1 In the preparation of the GDC Report, we relied upon two (2) categories of information which are:-

- *Information provided by MRCB*
- *Our own assumptions based on relevant and acceptable market and industry best practices and standards.*

1.3 INFORMATION PROVIDED BY MRCB

1.3.1 The plot demarcation of each plot with total acreage. See Table 1
1.3.2 Total Gross Floor Areas of each development components. See Table 1
1.3.3 Associated Cost percentile factor to GDC. See Table 2
1.3.4 Quantum of Professional Fees to Consultants. See Table 3
1.3.5 Land Cost. See Table 4

EXECUTIVE SUMMARY OF THE GDC REPORT *(Cont'd)*

Table 1:- Gross Floor Area (ft2) and Plot acreage – Provided By MRCB

Plot Type	*ft2*	*Acres*
Plot 1-Office Towers	*527,930*	*3.63*
Plot 1A-Common Facilities	*93,690*	*1.94*
Plot 2-Retail	*1,205,280*	*5.51*
Plot 2A – Hotel & Office	*592,100*	*-INC-*
Plot 3-Office Towers	*691,924*	*4.41*
Plot 4-Office Towers	*773,855*	*3.19*
Plot 5 – Office Towers	*661,566*	*3.02*
Basement Car Park – 5 levels	*2,235,759*	*-N/A-*
Podium Car Park – 4 levels	*1,129,921*	*-N/A-*
TOTAL GFA (ft2)	***7,912,025***	

Source: - C-8 Concept Layout provided by MRCB

Table 2:- GDC's Associated Cost provided by MRCB

Cost Element	*Factor (%)*	*Remarks*
Engineering, Procurement, Construction & Commissioning (EPCC) Fees:	*Fee is based on 5% of all Capital Contribution Charges (CCC) and Submission Fees (SF)*	*This Fee attributed to MRCB for its management of all CCC and SF to relevant Government Agencies*
- Regulatory Services		
- Project Management and Design ("PMD") Services	*Fee is based on 5% of Professional Fees to Consultants*	*This Fee attributed to MRCB for the management and coordination of all Consultants*
- Works	*Fee is based on 5% of Total Construction Cost (TCC)*	*This Fee is attributed to MRCB for the management and coordination of all physical construction work on site*
Sales and Marketing Consultancy – Lease Option (SMCL)	*A lump sum amount of **RM25,177,120.00** including GST provided by MRCB to be included in GDC*	*This Fee is attributed to MRCB for providing Sales and Marketing Consultancy service under the lease option*
Head Office Overheads and Administration	*2.5% of TCC, Sales and Marketing Expenses (SME), CCC, SF & Engineering, Procurement, Construction & Commissioning (EPCC) + 6% GST. Note: The percentile factor is provided by MRCB, calculation by PCM*	*This is to cater for overheads incurred by the Head Office in delivering the project. Also to bear in mind that the Sales and Marketing Cost to be considered in this calculation is provided by PCM under the sales option*
Financial Modelling	*RM100,000 + 6% GST*	*This fee is attributed to MRCB for providing financial modelling service*

Table 3:- Quantum of Professional Fees to Consultants provided by MRCB

Type of Consultants	*Percentile (%)*	*Scope of Work*
Architect	*3% of CC*	*Design & Planning*
Civil & Structural Engineer	*1% of CC*	*Design & Planning*
Mechanical & Electrical Engineer	*1.2% of CC*	*Design & Planning*
Quantity Surveyor	*0.85% of CC*	*Cost & Contract Management*
Other Consultants	*1.5% of CC*	*Various Consultants if required for the project.*
Total	***7.55% of CC***	

Note: For purpose of calculation, the fees are based on the construction cost (CC) which is excluding contingency and GST and not TCC. The percentile (%) is provided by MRCB.

Table 4:- Land Cost provided by MRCB

PLOT TYPE	***COST OF LAND (RM)***
PLOT 1 – OFFICE TOWERS	*RM46,203,413*
PLOT 2 - RETAIL	*RM105,483,776*
PLOT 2 – OFFICE TOWERS	*RM23,612,375*
PLOT 2 – HOTEL	*RM28,207,073*
PLOT 3 – OFFICE TOWERS	*RM60,555,851*
PLOT 4 – OFFICE TOWERS	*RM67,726,294*
PLOT 5 – OFFICE TOWERS	*RM57,898,978*
TOTAL	***RM389,687,760***

1.4 PCM'S OWN ASSUMPTIONS BASED ON ACCEPTABLE MARKET AND INDUSTRY BEST PRACTICES

1.4.1 In generating the GDC, the pertinent cost elements are illustrated in Table 5 as follows:-

Table 5:- GDC Cost Element

Item	*Item Description*	*Remarks*
1	*Land Cost*	*Provided by MRCB as per Table 4, Page 5*
2	*TCC*	*To be provided by PCM using comparable unit rate methods of similar development components inclusive of contingency allowance to cater for unseen factors at this preliminary stage and other acceptable yardstick as per industry's practice.*
3	*Authority and Statutory Charges*	*Provided by PCM as per the relevant Government Agencies guidelines. This includes CCC and SF.*
4	*Professional Fees*	*Percentile factor provided by MRCB as illustrated in Table 3, Page 5 for Professional fees for Consultants. Calculation by PCM.*
5	*Sales and Marketing Expenses*	*Provided by MRCB as illustrated in Table 2, Page 4 for the lease option. However for the sale option, sales and marketing expenses will be provided by PCM based on 1.5% of estimated Gross Development Value (GDV).*
6	*Head Office Overheads and Administration*	*Provided by MRCB as illustrated in Table 2, Page 4 and calculation by PCM.*
7.	*Management Contract Fees*	*Percentile Factor provided by MRCB and calculation by PCM as illustrated in Table 2, Page 4*
8	*Financial Modelling*	*As illustrated in Table 2, Page 4 where the amount is provided by MRCB*

1.5 GDC

Table 6:- Summary of GDC

Item Description	*Total Amount (RM)*	*Remarks*
a. Total Land Cost	*389,687,760.00*	*Provided by MRCB. See Table 4, Page 5*
b. TCC including 6% GST	*2,750,010,362.29*	*Provided by PCM. See Table 7, Page 8 for sample construction cost for one plot. For summary of TCC, see Table 8, Page 9*
c. Authority and Statutory Charges	*91,600,000.00*	*Provided by PCM*
i. CCC RM86, 500,000.00		*See Table 9, Page 9*
ii. SF RM5,100,00.00		*See Table 10, Page 10*
d. Professional Fees – for Consultants including 6% GST	*198,002,241.09*	*Provided by PCM. See Table 11, Page 10*
e. Sales and Marketing Expenses (Sales Option)	*67,163,594.72*	*Provided by PCM. 1.5% of Estimated GDV*
f. Office Overheads and Administration	*81,351,645.76*	*Percentile factor provided by MRCB. See Table 12, Page 11*
SUB-TOTAL (Item a to Item f)	***3,577,815,603.86***	
g. Financial Modelling including 6% GST	*106,000.00*	*Provided by MRCB. See Table 2, Page 4*
h. Sales and Marketing Consultancy including 6% GST	*25,177,120.00*	*Provided by MRCB. See Table 12, Page 11*
i. Management Contract Fees EPCC inclusive of 6% GST	*161,099,467.97*	*Percentile factor provided by MRCB. See Table 12, Page 11*
SUB-TOTAL (Item g to Item h)	***186,382,587.97***	
TOTAL ESTIMATED GDC	***3,764,198,191.83***	

Note: The estimation of GDC is excluding Financing Cost.

Table 7:- Construction Cost Element – Sample (Plot 1-Office Towers)

Cost element	Factor % /GFA(ft2)	Rate/ft2 (RM)	Total Amount (RM)
1. Preliminaries	8% of Total of Item 2,3,4,5&6		10,331,816.00
2. Substructure	15% of Item 3		11,878,425.00
3. Building Works	527,930 ft2	150.00/ft2	79,189,500.00
4. Mechanical & Electrical Works	45% of Item 3	-N/A-	35,635,275.00
5. External Works Within Boundary	RM650, 000 per acre. Total acreage is 3.63 acres		2,359,500.00
6. Ancillary Buildings	1. TNB Sub-station 2. Refuse Chamber		85,000.00
7. Provisional Sums	Additional Budget provisions.		59,964,195.00
8. Sub-Total (Item 1-7)			199,443,711.00
9. Contingency (5% of Item 8)			9,972,185.55
10. Sub-Total (Item 8 & 9)			209,415,896.55
11.GST (6% of Item 10)			12,564,953.79
12.Sub-Total (Item 10 + Item 11)			221,980,850.34
13. Professional Fees for Consultancy Services (7.55% of Item 8)			15,058,000.18
14. GST 6% on Fees			903,480.01
15. TOTAL CONSTRUCTION COST (TCC) (Item 12+Item 13 + Item 14)			237,942,330.53

Table 8:- TCC including Contingency and 6% GST

Plot Type	***Unit Rate***	***Total Amount (RM)***
Plot 1-Office Towers	*420.47*	*221,980,850.34*
Plot 1A-Common Facilities	*493.01*	*46,190,521.29*
Plot 2-Retail	*441.52*	*532,149,559.85*
Plot 2A-Office	*419.90*	*113,289,240.79*
Plot 2A-Hotel	*570.88*	*183,995,726.06*
Plot 3- Office Towers	*417.52*	*290,252,421.49*
Plot 4-Office Towers	*419.49*	*323,103,041.32*
Plot 5 – Office Towers	*418.16*	*276,640,998.45*
Basement Car Park	*240.61*	*537,953,673.80*
Podium Car Park	*194.52*	*219,795,803.33*
Link Bridge to MRT	*345.08*	*4,658,525.55*
TOTAL (RM)		***2,750,010,362.29***
AVERAGE OVERALL CONSTRUCTION COST UNIT RATE		***RM346.98/ft2***

Table 9:- Summary of CCC

Type Of Contribution	***Estimated Cost (RM)***	***Comments***
TNB – Electrical Supply	*26,000,000.00*	*Based on estimate of maximum power demand*
SYABAS – Water Supply	*1,000,000.00*	*Based on average water demand*
SPAN – Sewerage	*50,000,000.00*	*Based on 1% of estimated GDV*
TELEKOM – Telecommunication	*9,500,000.00*	*Based on assumptions on the number of lines*
TOTAL	***86,500,000.00***	

EXECUTIVE SUMMARY OF THE GDC REPORT *(Cont'd)*

Table 10:- Estimated Total SF

Type of Contribution	Total Est. Cost (RM)	Comments
Development Order	260,000.00	Based on a formula by Local Authority
ISF – Commercial	4,000,000.00	Based on a formula by Local Authority
ISF- Drainage	150,000.00	Based on a formula by Local Authority
Road & Drainage drawings submission fees	15,000.00	Based on a formula by Local Authority and estimated area of premix road.
Earthwork drawings submission fees	25,000.00	Based on a formula by Local Authority
Building Plan Approval Fees	650,000.00	Based on a formula by Local Authority
TOTAL EST. COST	**5,100,000.00**	

Table 11:- Total Professional Fees for Consultants including 6% GST

Plot Type	Total Amount (RM)
Plot 1-Office Towers	15,961,480,19
Plot 1A-Common Facilities	3,321,318.44
Plot 2-Retail	38,264,087.40
Plot 2A-Office	8,146,035.89
Plot 2A-Hotel	13,487,065.36
Plot 3- Office Towers	20,870,531.26
Plot 4-Office Towers	23,232,647.26
Plot 5 – Office Towers	19,891,805.13
Basement Car Park	38,681,430.83
Podium Car Park	15,804,364.91
Link Bridge to MRT	341,474.45
TOTAL (RM)	**198,002,241.09**

Table 12:- GDC's associated Cost

Cost Element	*Factor (%)*	*Total Amount (RM)*
Sales and Marketing Expenses (Sales Option)	*1.5% of estimated GDV +6% GST (RM4,224,125,454.22 x 1.5% + 6% GST)*	***67,163,594.72***
EPCC Fees		
- Regulatory Services	*5% x (CCC + SF) = 5% x (RM86,500,000 + RM5,100,000)*	*4,580,000.00*
- PMD Services	*5% x Total Consultancy Fees = 5% x RM198,002,241.09*	*9,900,112.05*
- Works	*5% x TCC = 5% x RM2,750,010,362.29*	*137,500,518.11*
	Sub-Total	***151,980,630.16***
	6% GST	***9,118,837.81***
	TOTAL	***161,099,467.97***
Head Office Overhead and Administration	*2.5% of (TCC+SME+CCC+SF+EPCC) + 6% GST=2.5% x (2,750,010,362.29+67,163,594.72+86,500,000.00+ 5,100,000.00+161,099,467.97) +6% GST*	***81,351,645.76***
Financial Modelling	*RM100,000 + 6% GST*	***106,000.00***
Sales and Marketing Consultancy – Lease Option	*RM23,752,000 + 6% GST*	***25,177,120.00***

1.6 CONCLUSION

*1.6.1 Total estimated GDC is **RM3,764,198,191.83,** as shown in Table 6, Page 7.*

1.6.2 We are of the opinion that the methodology employed in generating the GDC is in line with market and industry best practices.

1.6.3 The derived estimated total GDC is reasonable and within acceptable range for development of this nature. However as the tenure of the development will span over an estimated twelve (12) years, inflationary effects on the construction cost and other associated costs will be inevitable and no inflationary effects have been considered in the preparation of the GDC and the total GDC has been derived purely based on prevailing cost.

1.6.4 Notwithstanding, we further opined that the impact on costs can be appropriately mitigated by cautious and vigilant management on design strategies and cost planning as the designs are further developed.

Yours faithfully,
For and on behalf of
PCM Kos Perunding Sdn Bhd

Sr Shahril Bin Awang
Reg. QS, MRISM, MRICS

Executive Director

HAN BERDAFTAR
HAHRIL BIN AWANG
MF01256

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION INCLUDED IN A CIRCULAR TO SHAREHOLDERS

The Board of Directors
Malaysian Resources Corporation Berhad
Level 33A, Menara NU 2, No. 203,
Jalan Tun Sambanthan, Kuala Lumpur Sentral,
50470, Kuala Lumpur,
Wilayah Persekutuan, Malaysia

19 November 2015

PwC/SG/MR/WYF/nm/0200C

Dear Sirs,

Report on the Compilation of Pro Forma Consolidated Statement of Financial Position

1 We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statement of Financial Position of Malaysian Resources Corporation Berhad ('MRCB' or 'the Company') as at 31 December 2014. The Pro Forma Consolidated Statement of Financial Position ('Pro Forma') which is set out in the Appendix (which we have stamped for the purpose of identification), has been compiled by the Directors of the Company for inclusion in the Circular to Shareholders to be dated on 4 December 2015 pursuant to the requirements of Paragraph (1), Part G, Appendix 10B of the Main Market Listing Requirements. The Pro Forma has been prepared in connection with a management contract entered by Kwasa Utama Sdn Bhd (formerly known as Kwasa Development (1) Sdn Bhd) ("KUSB" or "Employer") to appoint MRCB as the Management Contractor to provide services in connection with the development and construction of a commercial development named Kwasa Utama on a piece of land owned by KUSB measuring 29.82 acres known as Plot C8 (part of Lot 85112) Kwasa Damansara, Mukim Sungai Buloh, Daerah Petaling, Seksyen U4, 40160 Shah Alam, Selangor Darul Ehsan ("Development") for a provisional total contract sum of RM3,145,493,294 ("Provisional Total Contract Sum") ("Proposed Construction").

2 The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Statement of Financial Position are described in Note 2 of the Appendix.

3 The Pro Forma Consolidated Statement of Financial Position has been compiled by the Directors, for illustrative purposes only, to show the effects of the Management Contract for the Proposed Construction on the audited consolidated statements of financial position of the Company as at 31 December 2014 had the Management Contract for the Proposed Construction been effected on that date. As part of this process, information about the Company's consolidated financial position has been extracted by the Directors from the Company's audited consolidated statements of financial position as at 31 December 2014.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
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The Board of Directors
Malaysian Resources Corporation Berhad
PwC/SG/MR/WYF/nm/0200C

The Directors' Responsibility for the Pro Forma Consolidated Statement of Financial Position

4 The Directors are responsible for compiling the Pro Forma Consolidated Statement of Financial Position on the basis set out in Note 2 of the Appendix.

Our Responsibilities

5 Our responsibility is to express an opinion about whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, by the Directors on the basis set out in Note 2 of the Appendix.

6 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 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 Directors have compiled, in all material respects, the Pro Forma Consolidated Statement of Financial Position on the basis set out in Note 2 of the Appendix.

7 For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the Pro Forma Consolidated Statement of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statement of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

8 The purpose of the Pro Forma Consolidated Statement of Financial Position included in the Circular to Shareholders is solely to illustrate the impact of a significant event or transaction on 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 at that date would have been as presented.

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The Board of Directors
Malaysian Resources Corporation Berhad
PwC/SG/MR/WYF/nm/0200C

Our Responsibilities (continued)

9 A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statement of Financial Position 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 Directors in the compilation of the Pro Forma Consolidated Statement of Financial Position provides a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statement of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

10 The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company and its subsidiaries, the event or transaction in respect of which the Pro Forma Consolidated Statement of Financial Position has been compiled, and other relevant engagement circumstances. The engagement also involved evaluating the overall presentation of the Pro Forma Consolidated Statement of Financial Position.

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

Opinion

12 In our opinion, the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, on the basis set out in Note 2 of the Appendix.

Other Matter

13 This report is issued for the sole purpose of inclusion in the Circular to Shareholders in connection with the Management Contract for the Proposed Construction 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 Management Contract for the Proposed Construction.

Yours faithfully,

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON *(Cont'd)*

MRCB Group

APPENDIX

Proforma Consolidated Statement of Financial Position as at 31 December 2014
RM'000

		Proforma I
		Proposed Construction
	Audited 31-Dec-14	After Proposed Construction
ASSETS		
Non-current assets		
Property, plant and equipment	228,586	228,586
Investment properties	812,958	812,958
Land held for property development	1,041,962	1,041,962
Service concession asset	1,237,295	1,237,295
Subsidiaries	-	-
Associates	84,240	84,240
Jointly controlled entities	58,432	58,432
Loan and receivable	5,924	5,924
Available for sale financial assets	577	577
Intangible assets	271,787	271,787
Deferred tax assets	35,784	35,784
	3,777,545	3,777,545
Current assets		
Inventories	42,626	42,626
Property development costs	831,524	831,524
Trade and other receivables	1,314,032	1,318,662
Amount due from subsidiaries	-	-
Amount due from a jointly controlled entity	5,813	5,813
Tax recoverable	4,649	4,649
Financial assets at fair value through profit and loss	3,229	3,229
Deposits, cash and bank balances	660,688	656,058
	2,862,561	2,862,561
Asset held for sale	401,817	401,817
TOTAL ASSETS	7,041,923	7,041,923
EQUITY		
Capital and reserves attributable to equity holders of the company		
Share capital	1,760,178	1,760,178
Reserves		
-share premium	323,986	323,986
-other reserves	55,937	55,937
-distributable reserves	(154,845)	(154,845)
Shareholders' equity	1,985,256	1,985,256
Non controlling interests	79,253	79,253
Total equity	2,064,509	2,064,509
LIABILITIES		
Non-current liabilities		
Loan stocks	7,000	7,000
Senior and Junior Sukuk	1,058,459	1,058,459
Post - employment benefits obligations	16,539	16,539
Long term borrowings	1,234,681	1,234,681
Long term liabilities	3	3
Deferred tax liabilities	90,219	90,219
	2,406,901	2,406,901
Current liabilities		
Provision for other liabilities and charges	43,734	43,734
Trade and other payables	1,114,979	1,114,979
Deferred income	-	-
Amount due to subsidiaries	-	-
Current tax liabilities	14,674	14,674
Senior and Junior Sukuk	-	-
Short term borrowings	1,390,521	1,390,521
Guaranteed return to a NCI	-	-
	2,563,908	2,563,908
Liabilities associated with asset held for sale	6,605	6,605
Total liabilities	4,977,414	4,977,414
Total equity and liabilities	7,041,923	7,041,923
No. of voting shares in issue ('000)	1,760,178	1,760,178
NA per share (RM)	1.13	1.13
Total borrowings	2,632,202	2,632,202
Gearing (times)	1.33	1.33

PRICEWATERHOUSECOOPERS
KUALA LUMPUR
for identification only
Chartered Accountants

MALAYSIAN RESOURCES CORPORATION BERHAD **APPENDIX**

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014 (PREPARED IN COMPLIANCE WITH PARAGRAPH (1), PART G, APPENDIX 10B OF THE MAIN MARKET LISTING REQUIREMENTS) (CONTINUED)

1 INTRODUCTION

The Pro Forma Consolidated Statement of Financial Position ("Pro Forma") of Malaysian Resources Corporation Berhad ("MRCB" or "the Company"), for which the Directors of the Company are solely responsible, has been prepared for illustrative purposes pursuant to the requirements of Paragraph (1), Part G, Appendix 10B of the Main Market Listing Requirements.

The Pro Forma has been prepared in connection with a management contract entered into by Kwasa Utama Sdn Bhd (formerly known as Kwasa Development (1) Sdn Bhd) ("KUSB" or "Employer") and MRCB to appoint MRCB as the Management Contractor to provide services for the development and construction of a commercial development named Kwasa Utama on a piece of land owned by KUSB measuring 29.82 acres known as Plot C8 (part of Lot 85112) Kwasa Damansara, Mukim Sungai Buloh, Daerah Petaling, Sekysen U4, 40160 Shah Alam, Selangor Darul Ehsan ("Development") for a provisional total contract sum of RM3,145,493,294 ("Provisional Total Contract Sum") ("Proposed Construction").

(KUSB and MRCB shall hereinafter be collectively referred to as "Parties").

The Development, which will span over a period of approximately 12 years from 2016 to 2027, is expected to comprise seven (7) separate development plots ("Plots") which consists of eight (8) office towers, one (1) block of hotel, one (1) block of auditorium and one (1) facility block. An outline of the types of development to be carried out on each of the Plots and the tentative timelines is set out below:

Plot No	Development Type	Timeline
Plot 1	Office Towers	Year 2016 to 2018
Plot 1A	Common Facilities	Year 2018 to 2020
Plot 2	Retail	Year 2016 to 2019
Plot 2A	Hotel and Office	Year 2022 to 2025
Plot 3	Office Towers	Year 2016 to 2019
Plot 4	Office Towers	Year 2019 to 2022
Plot 5	Office Towers	Year 2024 to 2027

Pursuant to the terms and conditions of the Management Contract, MRCB's role as Management Contractor shall entail the following:-

(a) construct financial models for the purpose of the feasibility study and as a basis for planning the Development to meet KUSB's objectives for the Development ("Financial Modelling Services"). The Financial Modelling Services comprise the preparation of (i) an initial feasibility study of the Development as a whole ("Initial Feasibility Study") and (ii) an Updated Feasibility Study;

(b) provide sales and marketing consultancy for the en bloc lease of the retail, hotel and office buildings of the Development ("Sales and Marketing Consultancy");

(c) facilitate KUSB on a best endeavours basis in obtaining all required authority and statutory approvals for the Development as a whole and specifically for each Plot ("Regulatory Services");

(d) provide project management and design ("PMD") services utilising the Building Information Modeling ("BIM") system for the Development as a whole ("PMD Development Services") and for each Plot ("PMD Plot Services") (collectively referred to as the "PMD Services"); and

(e) provide engineering, procurement, management, construction and commissioning ("EPCC") of the works for each Plot ("Works").

(The services described in paragraphs (a) to (e) above shall hereinafter be collectively referred to as "Services" and the services described in paragraphs (c) to (e) above which will be provided on a turnkey basis for each Plot shall hereinafter be collectively referred to as "EPCC Services").

MALAYSIAN RESOURCES CORPORATION BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014 (PREPARED IN COMPLIANCE WITH PARAGRAPH (1), PART G, APPENDIX 10B OF THE MAIN MARKET LISTING REQUIREMENTS) (CONTINUED)

1 INTRODUCTION (CONTINUED)

The provision of the EPCC Services is subject to the issuance of a first notice to proceed by KUSB, which is the award of the EPCC Contract for a Plot to MRCB and for the commencement of the design part of the Works, and the Regulatory Services and PMD Services ("Design Section") for the particular Plot ("NTP1").

KUSB shall only be obliged to issue an NTP1 for a Plot upon the lease of all lettable areas of the proposed buildings for a Plot being secured, approval by the board of directors of KUSB of the Relevant Updated Feasibility Study (as notified by KUSB to MRCB), and delivery by MRCB of the documents required provided always that if a KUSB Force Majeure (as defined below) event occurs, KUSB has the discretion to withhold issuance of any NTP1 and provided further that KUSB shall not award the EPCC Services for the Plot to anyone else.

("KUSB Force Majeure" means changes to KUSB's policy for the Development; or KUSB is unable to obtain funding for the Plot on terms commercially viable for it)

If an NTP1 is not issued for a Plot by 31 December 2024, then the Plot shall not be developed and without prejudice to MRCB's entitlement to the contract costs and management contract fees for Financial Modeling Services and Sales and Marketing Consultancy carried out for the Plot under the Management Contract, MRCB shall not be entitled to any claim in respect of KUSB's decision not to proceed with the development of the Plot, whether for loss of profit or revenue, loss of contract or for any indirect or consequential loss or damage arising from such decision.

Subsequent to the issuance of NTP1, NTP2 may be issued by KUSB, instructing MRCB to commence physical construction of Works upon satisfaction of the following conditions precedents:

- Management Contractor shall produce the certification of registration with the Construction Industry Development Board;
- Management Contractor shall produce receipts for the levy paid in compliance with the Construction Industry (Levy Collection) Regulations 1996;
- Management Contractor required to submit the names and curriculum vitae of all key personnel responsible for the physical construction of the Works for the Employer's Representative's approval;
- Management Contractor shall deliver the performance security; and
- Management Contractor required to deliver the insurances required under the Contract.

As the EPCC services spans over 12 years and is subject to, amongst others, updated feasibility studies being undertaken prior to the issuance of an NTP1 for each Plot, the Provisional Contract Costs for the Development and hence, the Provisional Management Contract Fees are still subject to change. In addition, the development plans for the Development have yet to be submitted for regulatory approvals and hence, the manner and/or sequence of development as well as the components of each Plot have not been finalised until an NTP1 for the respective Plots is issued.

The Pro Forma has been prepared for illustrative purposes only, to show the effects of the Management Contract for the Proposed Construction; on the audited Consolidated Statements of Financial Position of the Company as at 31 December 2014, had the Management Contract been executed on that date.

The Pro Forma is prepared for illustrative purposes only, such information, because of its nature, does not give a true picture of the effects the Management Contract for the Proposed Construction on the financial position of the MRCB Group presented had the transactions or events occurred on 31 December 2014. Further, such information does not purport to predict the MRCB Group's future financial position.

MALAYSIAN RESOURCES CORPORATION BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014 (PREPARED IN COMPLIANCE WITH PARAGRAPH (1), PART G, APPENDIX 10B OF THE MAIN MARKET LISTING REQUIREMENTS) (CONTINUED)

2 BASIS OF PREPARATION

2.1 The Pro Forma Consolidated Statement of Financial Position, for which the Directors of the Company are solely responsible, has been prepared based on the audited consolidated financial statements of the Company as at 31 December 2014 in accordance with the Financial Reporting Standards and in a manner consistent with both the format of the financial statements and current accounting policies adopted by the Company.

3 EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

3.1 Pro forma – After effects of the Management Contract for the Proposed Construction

Pro forma incorporates the effects of the Management Contract for the Proposed Construction on the Audited consolidated statements of financial position of the Company as at 31 December 2014.

The Pro forma consolidated statement of financial position of the Company in respect of the Management Contract for the Proposed Construction should include pro forma adjustments which are directly attributable to the event or transaction, factually supportable and consistent with the Company's applicable financial reporting framework. Directly attributable adjustment exclude those that relate to future events or are dependent on actions to be taken once the transaction has been completed, even if such actions are key to the Company entering into the transaction. This is consistent with the requirements of the International Standard on Assurance Engagements ("ISAE") 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*".

As the Management Contract for the Proposed Construction is an executory contract under which neither party has performed its obligation in respect of the development as at the date of the contract, the execution of the Management Contract for the Proposed Construction does not have any effect on the consolidated statements of financial position of the Company as at 31 December 2014, had the Management Contract been executed on 31 December 2014.

The transaction expenses of RM4.63 million to secure the management contract have been capitalised as contract costs in accordance with the requirements of Financial Reporting Standards ("FRS") 111: "Construction Contracts" and is illustrated in the Pro Forma.

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Malaysian Resources Corporation Berhad in accordance with a resolution dated 19 November 2015.

ANN WAN TEE
CHIEF FINANCIAL OFFICER
On Behalf of the Board of Directors of Malaysian Resources Corporation Berhad

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by your Board who collectively and individually accept full responsibility for the accuracy of the information given herein insofar as it relates to our Group. Your Board hereby confirms that after having made all reasonable enquiries, and to the best of their knowledge and belief, there is no other fact, the omission of which would make any statement herein false or misleading.

Information relating to KUSB has been obtained from publicly available documents (where available) and other information/documents provided by such parties/companies and their directors/management. The sole responsibility of your Board has been to ensure that the information in relation to such parties/companies have been accurately reproduced.

2. CONSENTS

RHB Investment Bank, Kenanga Investment Bank, PwC and PCM Kos Perunding have given and have not subsequently withdrawn their written consents to the inclusion in this Circular of their names and reports (where applicable) and all references thereto in the form and context in which they appear in the Circular.

3. DECLARATIONS OF CONFLICT OF INTEREST

3.1 RHB Investment Bank

EPF is a common shareholder of MRCB and RHB Capital Berhad (being the holding company of RHB Investment Bank) ("**RHB Capital**"). Nevertheless, EPF is not involved in the day-to-day operations of RHB Investment Bank.

In addition, Tan Sri Azlan Zainol is the Non-Independent Non-Executive Chairman of MRCB and a Non-Independent Non-Executive Director of RHB Capital. Nevertheless, in view of his role as a non-executive director, he is not involved in the day-to-day operations of RHB Capital.

Haji Md Ja'far Abdul Carrim, a member of the board of directors of EPF, is also the Non-Independent Non-Executive Chairman and a Non-Independent Non-Executive Director of RHB Islamic Bank Berhad and RHB Insurance Berhad respectively, which are also subsidiaries of RHB Capital. Nevertheless, he does not hold any directorships in either RHB Capital or RHB Investment Bank.

As at LPD, RHB Investment Bank and its related companies (collectively referred to as "**RHB Banking Group**") have extended various credit facilities amounting to approximately RM1,600.80 million (with an amount of approximately RM726.10 million outstanding) to our Group. Such credit facilities represent approximately 0.73% of the audited total assets of RHB Banking Group as at 31 December 2014 of RM219,354.44 million.

The above credit facilities are provided by RHB Banking Group in the ordinary course of business and RHB Investment Bank does not receive or derive any financial interest or benefit from the Proposed Construction, save for the professional fees as the Principal Adviser for the Proposed Construction.

Notwithstanding the aforesaid, RHB Investment Bank confirms that there is no existing conflict of interest and is not aware of any circumstance which would or is likely to give rise to a possible conflict of interest situation by virtue of RHB Investment Bank's appointment as the Principal Adviser for the Proposed Construction.

3.2 Kenanga Investment Bank

Kenanga Investment Bank is not aware of any situation which gives or is likely to give rise to a conflict of interest situation in relation to its role as the Independent Adviser for the Proposed Construction.

3.3 PwC

PwC is not aware of any situation which gives or is likely to give rise to a conflict of interest situation in relation to its role as the Reporting Accountants for the Proposed Construction.

3.4 PCM Kos Perunding

PCM Kos Perunding is not aware of any situation which gives or is likely to give rise to a conflict of interest situation in relation to its role as the QS for the Proposed Construction.

4. MATERIAL COMMITMENTS

Save as disclosed below, as at LPD, your Board is not aware of any material commitment incurred or known to be incurred by our Company or our subsidiaries which upon becoming enforceable may have a material impact on the financial position of our Group:-

	RM('000)
Authorised capital expenditure not contracted for: - property, plant and equipment	31,593

5. CONTINGENT LIABILITIES

Save as disclosed below, as at LPD, your Board is not aware of any contingent liability which upon becoming enforceable may have a material impact on the financial position of our Group:-

	RM('000)
Unsecured corporate guarantees given to financial institutions for trade and performance guarantees extended to third parties	136,631
Disputed claims from sub-contractors arising from business transactions [(1)]	4,681

Note:-

(1) *The disputed claims from sub-contractors arising from business transactions have not been provided for in the financial statements as your Board, based on legal advice, is of the opinion that the above claims are not likely to succeed and thus would not have a material effect on the financial position of the business of our Group and of our Company.*

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of our Company at Level 33A, Menara NU 2, No. 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470, Kuala Lumpur, Wilayah Persekutuan, Malaysia, during normal office hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the EGM:-

(i) the memorandum and articles of association of our Company;

(ii) the audited consolidated financial statements of our Group for the past two (2) FYE 31 December 2013 to 2014 and the latest unaudited consolidated financial statements for the nine (9)-month financial period ended 30 September 2015;

(iii) the GDC Report, together with the Executive Summary of the GDC Report referred to in Appendix I of this Circular;

(iv) the pro forma consolidated statements of financial position of our Company as at 31 December 2014 together with the Reporting Accountants' letter thereon referred to in Appendix II of this Circular;

(v) the Management Contract; and

(vi) the letters of consent referred to in Section 2 above.

(The rest of this page has been intentionally left blank)

MRCB

MALAYSIAN RESOURCES CORPORATION BERHAD
(Company No. 7994-D)
(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of Malaysian Resources Corporation Berhad ("**MRCB**" or "**Company**") will be held at Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 21 December 2015 at 11.30 a.m. or immediately after the conclusion of the EGM which will be held at 10.30 a.m. on the same day and at the same venue, whichever is later or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without any modification, the following ordinary resolution:-

ORDINARY RESOLUTION 1

MANAGEMENT CONTRACT BETWEEN KWASA UTAMA SDN BHD (FORMERLY KNOWN AS KWASA DEVELOPMENT (1) SDN BHD) ("KUSB") AND MRCB FOR THE APPOINTMENT OF MRCB AS THE MANAGEMENT CONTRACTOR IN CONNECTION WITH THE DEVELOPMENT AND CONSTRUCTION OF A COMMERCIAL DEVELOPMENT NAMED KWASA UTAMA ON A PIECE OF LAND OWNED BY KUSB MEASURING 29.82 ACRES KNOWN AS PLOT C8 (PART OF LOT 85112) KWASA DAMANSARA, MUKIM SUNGAI BULOH, DAERAH PETALING, SEKSYEN U4, 40160 SHAH ALAM, SELANGOR DARUL EHSAN ("DEVELOPMENT") FOR A PROVISIONAL TOTAL CONTRACT SUM OF RM3,145,493,294 PAYABLE IN CASH ("PROVISIONAL TOTAL CONTRACT SUM") ("PROPOSED CONSTRUCTION")

"**THAT**, subject to and conditional upon the approvals of all relevant regulatory authorities or parties being obtained (if required), approval be and is hereby given for the Company to be appointed as the Management Contractor to provide services in connection with the development and construction of the Development for the Provisional Total Contract Sum, in accordance with the terms and conditions as stipulated in the Management Contract dated 28 October 2015 entered into between KUSB and MRCB for the Proposed Construction.

THAT the board of directors of the Company ("**Board**") be and is hereby authorised with full power to accept any changes to the Provisional Total Contract Sum in such manner as the Board shall in their absolute discretion deem necessary and/or expedient and in the best interest of the Company.

AND THAT the Board be and is hereby authorised to give full effect to the Proposed Construction with full powers to assent to any terms, conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or parties or as the Board may deem necessary and/or expedient and in the best interest of the Company and to do all acts, deeds and things and to execute, sign and deliver for and on behalf of the Company all such documents as may be necessary and/or expedient and in the best interest of the Company."

BY ORDER OF THE BOARD

Mohd Noor Rahim Yahaya
MAICSA 0866820
Company Secretary

Kuala Lumpur
4 December 2015

Notes:-

1. *Only members whose names appear in the Record of Depositors on 14 December 2015 ("General Meeting Record of Depositors") shall be eligible to attend in person or appoint proxies to attend and/or vote on their behalf at the EGM.*
2. *A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of a proxy and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified.*
4. *Where a member of the company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney. In the case of a corporation, it shall be executed under its Common Seal or signed by its attorney duly authorised in writing or by an officer on behalf of the corporation.*
6. *The duly completed Proxy Form must be deposited at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time set for the holding of the meeting or any adjournment thereof.*

MRCB

MALAYSIAN RESOURCES CORPORATION BERHAD
(Company No. 7994-D)
(Incorporated in Malaysia under the Companies Act, 1965)

PROXY FORM

(Please see the notes below before completing the form)

CDS Account No.	
No. of Ordinary share(s) held	

*I/We (FULL NAME IN CAPITAL LETTERS) ______________________________
*NRIC No./ Passport No./ Company No. ______________ ______________
of (FULL ADDRESS) ____

____

being a *member/members of **MALAYSIAN RESOURCES CORPORATION BERHAD** hereby appoint

First Proxy

Full Name of Proxy in capital letters		**Proportion of shareholdings**	
		Number of shares	**Percentage (%)**
NRIC Number			

*and/or failing him/her

Second Proxy

Full Name of Proxy in capital letters		**Proportion of shareholdings**	
		Number of shares	**Percentage (%)**
NRIC Number			

or failing *him/her the Chairman of the Meeting as *my/our proxies to attend and vote for *me/us on *my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company to be held on Monday, 21 December 2015 at 11.30 a.m. or immediately after the conclusion of the EGM which will be held at 10.30 a.m. on the same day and at the same venue, whichever is later or at any adjournment thereof.

*My/our proxy is to vote on the Ordinary Resolution as indicated by an "X" in the appropriate spaces below. If this form is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as *he/she thinks fit.

No.	**ORDINARY RESOLUTION 1**	**FOR**	**AGAINST**
1.	Proposed Construction		

Dated this ________ day of _______________ 2015

____
Signature of Shareholders

* *DELETE IF NOT APPLICABLE.*

Notes:-

1. *Only members whose names appear in the Record of Depositors on 14 December 2015 ("General Meeting Record of Depositors") shall be eligible to attend in person or appoint proxies to attend and/or vote on their behalf at the EGM.*
2. *A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of a proxy and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified.*
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5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney. In the case of a corporation, it shall be executed under its Common Seal or signed by its attorney duly authorised in writing or by an officer on behalf of the corporation.*
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Fold this flap for sealing

Then fold here

AFFIX
STAMP

To: **SYMPHONY SHARE REGISTRARS SDN BHD**
Level 6, Symphony House,
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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