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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

PROPOSED ESTABLISHMENT OF A LONG-TERM INCENTIVE PLAN OF UP TO TEN PERCENT (10%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF MALAYSIAN RESOURCES CORPORATION BERHAD (“MRCB”) (EXCLUDING TREASURY SHARES), FOR THE ELIGIBLE EMPLOYEES OF MRCB AND ITS SUBSIDIARIES (EXCLUDING SUBSIDIARIES WHICH ARE DORMANT) AND ELIGIBLE EXECUTIVE DIRECTORS OF MRCB (“PROPOSED LTIP”)

PART B

- I. PROPOSED DISPOSAL BY 348 SENTRAL SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF MRCB, OF MENARA SHELL (AS DEFINED HEREIN) TO MAYBANK TRUSTEES BERHAD, ACTING SOLELY IN THE CAPACITY AS TRUSTEE FOR MRCB-QUILL REIT (“MQ REIT”), A REAL ESTATE INVESTMENT TRUST, FOR A TOTAL DISPOSAL CONSIDERATION OF RM640 MILLION TO BE SATISFIED ENTIRELY IN CASH (“PROPOSED DISPOSAL”); AND**
- II. PROPOSED SUBSCRIPTION BY MRCB OF NO LESS THAN RM110 MILLION BUT UP TO RM152 MILLION IN VALUE OF NEW UNITS IN MQ REIT PURSUANT TO THE PROPOSED PLACEMENT EXERCISE TO BE UNDERTAKEN BY MQ REIT (“PROPOSED SUBSCRIPTION”)**

PART C

PROJECT DELIVERY PARTNER (“PDP”) AGREEMENT BETWEEN MRCB BUILDERS SDN BHD (“MRCB BUILDERS”), A WHOLLY-OWNED SUBSIDIARY OF MRCB, AND KWASA LAND SDN BHD FOR THE APPOINTMENT OF MRCB BUILDERS AS A PDP IN CONNECTION WITH THE CONSTRUCTION AND COMPLETION OF COMMON INFRASTRUCTURE FOR THE MAJLIS BANDARAYA PETALING JAYA AREA AT THE PROPOSED KWASA DAMANSARA TOWNSHIP, FOR A PROVISIONAL FEE OF APPROXIMATELY RM112.28 MILLION (“PROPOSED PDP CONTRACT”)

PART D

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

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Parts A, B and C

Financial Advisor for Part B

Independent Adviser for Part D



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



Astramina Advisory Sdn Bhd
(Company No. 810705-K)
(A licensed corporate finance advisory firm)



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 Mahkota Ballroom II, BR Level, Hotel Istana Kuala Lumpur City Centre, 73, Jalan Raja Chulan, 50200 Kuala Lumpur on Wednesday, 30 November 2016 at 10.00 a.m. 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 15 November 2016

TABLE OF CONTENTS

	PAGE
<u>PART A</u>	
DEFINITIONS	A-i
LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED LTIP CONTAINING:-	
1. INTRODUCTION.....	A-1
2. DETAILS OF THE PROPOSED LTIP.....	A-2
3. UTILISATION OF PROCEEDS.....	A-5
4. DETAILS OF THE EXISTING ESOS SCHEME.....	A-5
5. RATIONALE FOR THE PROPOSED LTIP.....	A-6
6. EFFECTS OF THE PROPOSED LTIP.....	A-7
7. MARKET PRICES OF MRCB SHARES.....	A-12
8. ESTIMATED TIMEFRAME FOR COMPLETION.....	A-12
9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED WITH THEM.....	A-12
10. APPROVALS REQUIRED.....	A-13
11. DIRECTORS' STATEMENT.....	A-13
12. EGM.....	A-14
13. FURTHER INFORMATION.....	A-14
APPENDICES	
A(I) DRAFT BY-LAWS OF THE PROPOSED LTIP	A-15
A(II) FURTHER INFORMATION	A-44

TABLE OF CONTENTS (Cont'd)

	PAGE
<u>PART B</u>	
DEFINITIONS	B-i
LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED DISPOSAL AND PROPOSED SUBSCRIPTION CONTAINING:-	
1. INTRODUCTION.....	B-1
2. DETAILS OF THE PROPOSED DISPOSAL.....	B-3
3. DETAILS OF THE PROPOSED SUBSCRIPTION.....	B-13
4. INFORMATION ON MQ REIT.....	B-14
5. RATIONALE FOR THE PROPOSALS.....	B-15
6. RISK FACTORS IN RELATION TO THE PROPOSALS.....	B-15
7. OVERVIEW AND PROSPECTS.....	B-17
8. EFFECTS OF THE PROPOSALS.....	B-19
9. APPROVALS REQUIRED FOR THE PROPOSALS.....	B-21
10. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION.....	B-22
11. TENTATIVE TIMELINE FOR THE PROPOSALS.....	B-24
12. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED WITH THEM.....	B-25
13. DIRECTORS' STATEMENT AND RECOMMENDATION.....	B-26
14. ADVISERS.....	B-26
15. ESTIMATED TIMEFRAME FOR COMPLETION.....	B-26
16. EGM.....	B-26
17. FURTHER INFORMATION.....	B-26
APPENDICES	
B(I) INFORMATION ON MQ REIT	B-27
B(II) AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015	B-32
B(III) VALUATION CERTIFICATE FOR THE PROPERTY	B-150
B(IV) FURTHER INFORMATION	B-159

TABLE OF CONTENTS (Cont'd)

	PAGE
<u>PART C</u>	
DEFINITIONS	C-i
LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED PDP CONTRACT CONTAINING:-	
1. INTRODUCTION.....	C-1
2. DETAILS OF THE PROPOSED PDP CONTRACT.....	C-2
3. INFORMATION ON KLSB.....	C-19
4. RATIONALE FOR AND PROSPECTS OF THE PROPOSED PDP CONTRACT.....	C-19
5. RISK FACTORS FOR THE PROPOSED PDP CONTRACT.....	C-20
6. OVERVIEW AND PROSPECTS.....	C-22
7. EFFECTS OF THE PROPOSED PDP CONTRACT.....	C-25
8. APPROVALS REQUIRED FOR THE PROPOSED PDP CONTRACT.....	C-26
9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED WITH THEM.....	C-26
10. AMOUNT TRANSACTED WITH THE INTERESTED DIRECTORS AND INTERESTED MAJOR SHAREHOLDER FOR THE PRECEDING 12 MONTHS.....	C-27
11. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION.....	C-28
12. DIRECTORS' STATEMENT AND RECOMMENDATION.....	C-30
13. STATEMENT BY THE AUDIT COMMITTEE.....	C-30
14. TENTATIVE TIMELINE FOR THE PROPOSED PDP CONTRACT.....	C-30
15. ESTIMATED TIMEFRAME FOR COMPLETION	C-30
16. ADVISERS.....	C-30
17. EGM.....	C-31
18. FURTHER INFORMATION.....	C-31
APPENDICES	
C(I) EXECUTIVE SUMMARY OF THE QS REPORT	C-32
C(II) FURTHER INFORMATION	C-45
<u>PART D</u>	
IAL TO THE NON-INTERESTED DIRECTORS AND NON-INTERESTED SHAREHOLDERS OF MRCB IN RELATION TO THE PROPOSED PDP CONTRACT	D-1
NOTICE OF EGM	ENCLOSED
FORM OF PROXY	ENCLOSED

PART A
PROPOSED LTIP

DEFINITIONS

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

Act	: Companies Act, 1965
Award Date	: The date of the letter or electronic mail of which an ESGS Award is offered by the LTIP Committee to the Eligible Person(s) to participate in the Proposed LTIP
Board	: Board of Directors of MRCB
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W)
By-Laws	: The rules, terms and conditions of the Proposed LTIP (as may be modified, varied, and/ or amended from time to time in accordance with By-Law 23) as set out in Appendix A(I) of Part A of this Circular
Circular	: This circular to shareholders dated 15 November 2016
EGM	: Extraordinary General Meeting
Eligible Person(s)	: The Executive(s) and the Executive Director(s) who meet the criteria of eligibility for participation in the Proposed LTIP as set out in the By-Laws
EPF	: Employees Provident Fund Board
EPS	: Earnings per share
ESGS	: The executive share grant scheme comprising the RSP and/ or the PSP
ESGS Award(s)	: Award(s) of Share(s) comprising the PSP Grant or RSP Grant made in writing by the LTIP Committee from time to time to Eligible Person(s) to participate in the ESGS in the manner as set out in the By-Laws
ESOS	: Employees' share option scheme
Executive(s)	: A natural person(s) who has attained the age of eighteen (18) years, is employed by and on the payroll of any company in the MRCB Group whose employment has been confirmed in writing
Executive Director(s)	: A director(s) of the Company who, on the Award Date, is on the payroll of the MRCB Group and is involved in the management of any corporation within the MRCB Group
Existing ESOS By-Laws	: By-laws governing the Existing ESOS Scheme
Existing ESOS Option(s)	: The ESOS option(s) granted pursuant to the Existing ESOS Scheme
Existing ESOS Scheme	: Existing employees' share option scheme of MRCB, which was effective on 31 October 2007 and extended by another period of five (5) years, and which is due to expire on 30 October 2017
FYE	: Financial year ended/ ending, as the case may be
Grantee(s)	: PSP Grantee(s) and/ or RSP Grantee(s), as the case may be
Interested Directors	: Collectively, Tan Sri Salim and Mohd Imran Tan Sri Mohamad Salim, being the Group Managing Director and the Executive Director of MRCB, respectively
Listing Requirements	: Main Market Listing Requirements of Bursa Securities

DEFINITIONS (Cont'd)

LPD	:	20 October 2016, being the latest practicable date prior to the printing of this Circular
LTIP Committee	:	A committee to be set up and authorised by the Board to administer the Proposed LTIP in accordance with the By-Laws, comprising such number of directors and/ or senior management personnel of the MRCB Group, identified from time to time
Memorandum and Articles of Association	:	Memorandum and Articles of Association of MRCB
MRCB or Company	:	Malaysian Resources Corporation Berhad (7994-D)
MRCB Group or Group	:	Collectively, MRCB and its subsidiaries (excluding subsidiaries which are dormant)
MRCB Share(s) or Share(s)	:	Ordinary share(s) of RM1.00 each in MRCB
NA	:	Net asset(s)
Placement Share(s)	:	Up to 493,019,758 new MRCB Shares to be placed out by MRCB pursuant to the Private Placement
Private Placement	:	Private placement of up to 493,019,758 Placement Shares representing up to 20% of the issued and paid-up share capital of MRCB as announced by MRCB on 16 November 2015 and approved by the shareholders of MRCB on 21 December 2015
Proposed LTIP	:	Proposed establishment of a long-term incentive plan of up to ten percent (10%) of the issued and paid-up share capital of MRCB (excluding treasury shares), for the Eligible Person(s) which shall be administered in accordance with the By-Laws
PSP	:	Performance share plan adopted or to be adopted by our Company under the ESGS, as may be modified or altered from time to time
PSP Grant	:	A grant of Share(s) made in writing by the LTIP Committee from time to time to an Eligible Person under the PSP
PSP Grantee(s)	:	Eligible Person(s) who has accepted a PSP Grant in the manner as set out in the By-Laws
RHB Investment Bank	:	RHB Investment Bank Berhad (I9663-P)
RSP	:	Restricted share plan adopted or to be adopted by our Company under the ESGS, as may be modified or altered from time to time
RSP Grant	:	A grant of Share(s) made in writing by the LTIP Committee from time to time to an Eligible Person under the RSP
RSP Grantee(s)	:	Eligible Person(s) who has accepted a RSP Grant in the manner as set out in the By-Laws
Tan Sri Salim	:	Tan Sri Mohamad Salim Fateh Din
Trust	:	A trust for the purposes of subscribing for new Share(s) and/ or acquiring existing Share(s) from the Main Market of Bursa Securities and transferring them to the Grantee(s) at such time as the LTIP Committee shall direct
Trust Deed(s)	:	Trust deed(s) to be entered into between our Company and the Trustee constituting the Trust

DEFINITIONS (Cont'd)

- Trustee : A trustee to be appointed by our Company for the Proposed LTIP from time to time
- Warrant(s) : The warrants issued by our Company on 17 September 2013, 23 June 2014 and 13 January 2015, constituted by a deed poll dated 22 August 2013 and expiring on 16 September 2018

Currency

- RM and sen : Ringgit Malaysia and sen, the legal tender of Malaysia

References to “**our Company**”, “**we**”, “**us**” and “**ourselves**” in Part A of 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 Part A of 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 Part A of 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 Part A of 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 Part A of 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 Part A of this Circular should not be regarded as a representation or warranty that MRCB’s plans and objectives will be achieved.

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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
Malaysia

15 November 2016

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*)
Jamaludin Zakaria (*Independent Director*)
Rohaya Mohammad Yusof (*Non-Independent Non-Executive Director*)
Chuah Mei Lin (*Independent Director*)
Hasman Yusri Yusoff (*Independent Director*)

To: Our Shareholders

Dear Sir/ Madam,

PROPOSED LTIP

1. INTRODUCTION

On 25 August 2016, RHB Investment Bank had, on behalf of your Board, announced that our Company proposes to establish a long-term incentive plan of up to ten percent (10%) of the issued and paid-up share capital of our Company (excluding treasury shares), for the Eligible Persons.

On 12 October 2016, RHB Investment Bank had, on behalf of your Board, announced that Bursa Securities had, vide its letter dated 11 October 2016, approved the listing of and quotation for such number of new MRCB Shares representing up to ten percent (10%) of our issued and paid-up ordinary share capital (excluding treasury shares) to be issued under the Proposed LTIP on the Main Market of Bursa Securities, subject to the conditions as set out in Section 10 of Part A of this Circular.

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

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF PART A OF THIS CIRCULAR BEFORE VOTING ON THE ORDINARY RESOLUTIONS PERTAINING TO THE PROPOSED LTIP TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED LTIP

The Proposed LTIP is intended to allow our Company to attract, motivate, reward and/ or retain the Eligible Persons through the grant/ award of MRCB Shares as determined by the LTIP Committee in accordance with the By-Laws. The LTIP Committee shall have the discretion to determine and change any criteria or basis of making the offers of the ESGS Awards from time to time.

The ESGS will allow our Company to award MRCB Shares to the Eligible Persons by means of a RSP and/or a PSP as follows:-

(i) RSP

The RSP is a restricted share plan designed to reward selected employees of our Group in recognition of their loyalty and contribution towards the growth and success of our Group and to motivate them to continue to contribute positively to our Group.

(ii) PSP

The PSP is a performance share plan designed to reward selected senior management employees of our Group and the Executive Directors of our Company, if certain prescribed performance targets set by the LTIP Committee are met.

The PSP is intended to incentivise the senior management employees of our Group and Executive Directors of our Company to align their objectives with the key strategic objectives of our Group in order to maximise shareholder value.

In implementing the ESGS, the LTIP Committee may in its discretion decide that the ESGS Award be satisfied via the following:-

- (a) issuance of new MRCB Shares;
- (b) acquisition and transfer of existing MRCB Shares from the market;
- (c) any other methods as may be permitted by the Act, as amended from time to time and any re-enactment thereof; or
- (d) a combination of any of the above,

depending on, amongst others, the prevailing market price of MRCB Shares, funding considerations, our Group's capital base and the future cash flow requirements of our Group.

Under the ESGS, the ESGS Awards will be made at no consideration. Once the ESGS Awards are accepted by the Eligible Persons, they will be vested in tranches to the Eligible Persons in accordance with the terms of the By-Laws.

2.1 Salient terms and conditions of the Proposed LTIP

2.1.1 Size of the Proposed LTIP

The aggregate maximum number of MRCB Shares which may be made available under the Proposed LTIP shall not in aggregate exceed ten percent (10%) (or at any per centum in accordance with any guidelines, rules and regulations of the relevant authorities governing the Proposed LTIP during the existence of the Proposed LTIP) of the issued and paid-up share capital of our Company (excluding treasury shares) ("Maximum Shares") at any point of time during the duration of the Proposed LTIP.

Pursuant to the Listing Requirements, a listed issuer may implement more than one (1) scheme involving a new issuance of shares to employees, provided that the aggregate number of shares available under all such schemes does not breach the prescribed limit of fifteen percent (15%) of its issued and paid-up share capital (excluding treasury shares) at any one time. For information purposes, our Group has put in place the Existing ESOS Scheme as at the date of this Circular.

Notwithstanding the foregoing, the Board shall ensure that at any point of time and at all times throughout the subsistence/ tenure of the Existing ESOS Scheme, the aggregate number of Shares to be issued under the Proposed LTIP and the Existing ESOS Scheme together with the Shares to be issued under any other employee share scheme(s) of our Company which may be established by our Company and which is still subsisting at the time that an ESGS Award is offered, shall not exceed an aggregate number of Shares equivalent to ten percent (10%) of the issued and paid-up share capital (excluding treasury shares) of our Company at the relevant time.

2.1.2 Basis of allotment and maximum allowable allocation of Shares

The total number of new MRCB Shares that may be allocated to any one (1) of the Grantees at any time shall be at the discretion of the LTIP Committee (subject always to the By-Laws and any applicable law).

Notwithstanding the foregoing, at any point of time during the existence of the Proposed LTIP, not more than ten percent (10%) of the new MRCB Shares, made available under the Proposed LTIP and any other subsisting employee share scheme(s), individually and collectively, shall be allocated to any Eligible Person who, either singly or collectively through persons connected with the said Eligible Person, holds twenty percent (20%) or more of the issued and paid-up share capital of our Company (excluding treasury shares).

For the avoidance of doubt, the LTIP Committee shall have sole discretion in determining whether the Shares available for vesting under the Proposed LTIP are to be awarded to the Eligible Person via:-

- (a) one single ESGS Award; or
- (b) several ESGS Awards,

whereby the vesting of the Shares comprised in any one (1) single ESGS Award or several ESGS Awards may be staggered in several tranches at such times and on such terms as determined by the LTIP Committee.

No Eligible Person shall participate in the deliberation and discussion on their own respective allocations and/ or allocations to persons connected with them.

For information purposes, unless the context otherwise requires, "persons connected with an Eligible Person" or "persons connected with a director" shall have the meaning given in relation to persons connected with a director or major shareholder of a corporation as defined in Paragraph 1.01 of the Listing Requirements.

2.1.3 Eligibility

Employees of our Group (including the Executive Directors of our Company) who meet the following criteria as at the date of ESGS Award shall be eligible to be considered as an Eligible Person to participate in the Proposed LTIP:-

- (i) he/ she has attained the age of 18 years;
- (ii) he/ she is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
- (iii) in respect of an Executive, such executive fulfils the following criteria as at the Award Date:-
 - (a) he/ she is a confirmed full time employee on the payroll of a corporation within our Group;
 - (b) he/ she has been employed by one (1) or more corporations within our Group for such period as may be determined by the LTIP Committee; and
 - (c) such Executive falls within any other eligibility criteria as may be determined by the LTIP Committee from time to time at its sole discretion, whose decision shall be final and binding; and

- (iv) in respect of an Executive Director, such Executive Director fulfils the following criteria as at the Award Date:-
 - (a) he/ she has been appointed as an Executive Director of our Company; and
 - (b) he/ she has been involved in the management of any corporation within our Group.

2.1.4 Duration of the Proposed LTIP

The Proposed LTIP shall be in force for a duration of five (5) years from the date that the last of the conditions as set out in the By-Laws have been obtained and/ or complied with (“**Effective Date**”). The last day of the duration of the Proposed LTIP shall be the end of the fifth (5th) year from the Effective Date (“**Date of Expiry**”).

However, the duration of the Proposed LTIP may be extended by your Board from time to time, upon the recommendation of the LTIP Committee and without our Company’s shareholders’ approval in a general meeting, subject to an aggregate duration of ten (10) years from the Effective Date or such longer duration as may from time to time be permitted by the relevant authorities. In the event the Proposed LTIP is extended and implemented in accordance with the terms of the By-Laws, the LTIP Committee shall inform the Executives and Executive Directors of our Group of such extension.

2.1.5 Termination

The Proposed LTIP may be terminated by your Board, upon the recommendation of the LTIP Committee at any time before the Date of Expiry provided that our Company makes an announcement immediately to Bursa Securities. The announcement shall include:-

- (i) the effective date of termination (“**Termination Date**”);
- (ii) the number of Shares vested under the ESGS; and
- (iii) the reasons and justification for termination.

In the event of termination of the Proposed LTIP, the following provisions shall apply:-

- (i) no further ESGS Award shall be made by the LTIP Committee from the Termination Date;
- (ii) all ESGS Awards which have yet to be accepted by the Eligible Person(s) shall automatically lapse on the Termination Date; and
- (iii) all ESGS Awards which have yet to be vested in the Eligible Person(s) shall automatically lapse on the Termination Date.

For the avoidance of doubt, approval or consent of the shareholders of our Company by way of a resolution in an EGM and written consent of the Grantees who have yet to have the ESGS Awards vested in them are not required to effect the termination of the Proposed LTIP.

2.1.6 Trust arrangement

For the purposes of facilitating the implementation and administration of the Proposed LTIP, our Company and/ or the LTIP Committee may (but shall not be obliged to) establish a Trust to be administered by the Trustee(s), if required, to enable the Trustee to subscribe for new Shares and/ or acquire existing Shares for the purpose of the Proposed LTIP and to pay expenses in relation to the administration of the Trust, the Trustee may, to the extent permitted by law, be entitled from time to time to accept funding and/ or assistance, financial or otherwise, from our Group and/ or any third party to be paid into the bank account(s) to be established by the Trustee for the purpose of the Trust as the Trustee may direct for any such payment.

The Trustee, if and when the Trust is established, shall administer the Trust in accordance with the terms of the Trust Deed. For the purpose of administering the Trust, the Trustee shall do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements or make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Trust, as the LTIP Committee may in its sole discretion direct for the implementation and administration of the Trust.

For the avoidance of doubt, our Company has not appointed any Trustee at this juncture.

2.1.7 Rights attaching to the MRCB Shares and the ESGS Awards

The new Shares to be allotted and issued upon the vesting of any ESGS Awards under the Proposed LTIP will be subject to the provisions of the Memorandum and Articles of Association and will, upon allotment and issue, rank *pari passu* in all respects with the then existing MRCB Shares, save and except that they will not be entitled to any dividends, rights, allotments and/ or other distributions, which may be declared, made or paid to shareholders, the entitlement date of which precedes the date of allotment and issuance of the new Shares.

In respect of the existing MRCB Shares to be transferred to the Grantees, such MRCB Shares shall not be entitled to any dividends, rights, allotments and/ or other distributions, which may be declared, made or paid to shareholders, the entitlement date of which precedes the date on which the existing MRCB Shares are credited into the central depository system accounts of the respective Grantees pursuant to the vesting of the MRCB Shares comprised in the ESGS Awards.

The ESGS Awards shall not carry any rights to vote at any general meeting of our Company. For the avoidance of doubt, the Grantee shall not in any event be entitled to any dividends, rights, allotments or other distributions on his/ her unvested ESGS Awards.

3. UTILISATION OF PROCEEDS

No proceeds will be raised by our Company pursuant to the Proposed LTIP in view that the MRCB Shares to be awarded to the Eligible Persons will not require any payment to our Company by the Eligible Persons.

The estimated expenses relating to the establishment of the Proposed LTIP, which mainly comprises of professional fees, is approximately RM0.85 million. For the avoidance of doubt, such estimated expenses exclude the potential cost of awarding the ESGS Awards pursuant to the Malaysian Financial Reporting Standard 2 on Share-based Payment as issued by the Malaysian Accounting Standards Board (“MFRS 2”), further details of which are set out in Section 6.4 of Part A of this Circular.

4. DETAILS OF THE EXISTING ESOS SCHEME

Our Company had, on 31 October 2007 established the Existing ESOS Scheme involving the grant of options to the eligible persons of our Group, which includes any employee (including an Executive Director) of our Group who meets the eligibility criteria, to subscribe for new MRCB Shares in accordance with the provisions of the Existing ESOS By-Laws. The Existing ESOS Scheme is valid for a period of ten (10) years and shall expire on 30 October 2017. The total number of MRCB Shares which may be issued pursuant to the exercise of the Existing ESOS Options shall not exceed fifteen percent (15%) of the issued and paid-up share capital of our Company (excluding treasury shares) (“Existing ESOS Options Limit”).

Details of the Existing ESOS Scheme since its commencement are as follows:-

As at LPD	Employees of our Group including Executive Directors	Executive Directors
No. of Existing ESOS Options granted	229,090,995	8,212,500
No. of Existing ESOS Options exercised	24,954,952	800,000
No. of Existing ESOS Options lapsed	105,879,736	4,350,000
No. of outstanding Existing ESOS Options	98,256,307	3,062,500

Pursuant to the Existing ESOS By-Laws, the total number of MRCB Shares which may be issued pursuant to the Existing ESOS Options granted under the Existing ESOS Scheme to the eligible directors and members of senior management of our Group as prescribed in the Existing ESOS By-Laws shall not exceed in aggregate fifty percent (50%) of the total number of MRCB Shares to be issued under the Existing ESOS Scheme. As at LPD, the total Existing ESOS Options offered to the eligible directors and members of senior management of our Group as prescribed in the Existing ESOS By-Laws amounted to approximately 7.8% of the Existing ESOS Options Limit under the Existing ESOS Scheme.

Details of the Existing ESOS Options granted are as follows:-

Tranche	Date granted	Option price	No. of Existing ESOS Options granted
1	21 December 2007	RM2.79 ⁽¹⁾	41,135,000
1A	11 March 2010	RM2.79	2,427,385 ⁽¹⁾
2	28 April 2009	RM1.14 ⁽²⁾	23,438,250
2A	11 March 2010	RM1.14	1,425,907 ⁽²⁾
3	24 August 2010	RM2.00	26,991,000
4	27 June 2011	RM2.48	18,669,000
5	28 February 2013	RM1.61	26,531,953
6	27 October 2015	RM1.30	85,103,750
7	1 June 2016	RM1.30	3,368,750
TOTAL			229,090,995

Notes:-

⁽¹⁾ Pursuant to an adjustment as required under the Existing ESOS By-Laws, on 11 March 2010, 74 new options were issued by our Company for every 1,000 options granted and the Existing ESOS Options price was adjusted from RM3.00 to RM2.79 per Existing ESOS Option.

⁽²⁾ Pursuant to an adjustment as required under the Existing ESOS By-Laws, on 11 March 2010, 74 new options were issued by our Company for every 1,000 options granted and the Existing ESOS Options price was adjusted from RM1.22 to RM1.14 per Existing ESOS Option.

5. RATIONALE FOR THE PROPOSED LTIP

The rationale of the Proposed LTIP is as follows:-

- (a) to provide our Company with the flexibility to determine the most appropriate instrument or combination of instruments to attract, motivate, reward and/ or retain the Eligible Persons who have contributed to the success of our Group and whose services are vital to the continued growth and performance of our Group;
- (b) to incentivise the Eligible Persons towards strategic business objectives by rewarding them with an equity stake in our Company;
- (c) to cultivate a sense of loyalty, dedication and commitment among the Eligible Persons by aligning the interests of the Eligible Persons with those of the shareholders of our Company; and
- (d) to make our Group's remuneration scheme more competitive in order to attract prospective executives with relevant skills and experience to join and contribute to our Group.

6. EFFECTS OF THE PROPOSED LTIP

For illustration purposes, the effects of the Proposed LTIP shall be based on the following scenarios:-

Minimum Scenario : Assuming the following:-

- (i) no further Existing ESOS Options will be granted under the Existing ESOS Scheme;
- (ii) none of the 98,256,307 Existing ESOS Options as at LPD, which have been offered to the eligible employees and executive directors of our Group pursuant to the Existing ESOS Scheme is exercised;
- (iii) none of the 576,519,012 outstanding Warrants as at LPD is exercised; and
- (iv) the full issuance of the remaining 63,693,171 Placement Shares under the minimum scenario to third party investors to be identified in relation to the Private Placement,

before the implementation of the Proposed LTIP.

Maximum Scenario : Assuming the following:-

- (i) no further Existing ESOS Options will be granted under the Existing ESOS Scheme;
- (ii) all of the 98,256,307 Existing ESOS Options are fully exercised;
- (iii) all of the 576,519,012 outstanding Warrants as at LPD are fully exercised; and
- (iv) the full issuance of the remaining 199,394,758 Placement Shares under the maximum scenario to third party investors to be identified in relation to the Private Placement,

before the implementation of the Proposed LTIP.

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6.1 Issued and paid-up share capital

The Proposed LTIP is not expected to have any immediate effect on the issued and paid-up share capital of our Company until such time as and when the new MRCB Shares arising from the vesting of the ESGS Awards are allotted and issued. Any potential effect on the issued and paid-up share capital of our Company in the future would depend upon the number of new MRCB Shares allotted and issued at the relevant point in time.

For illustrative purposes only, assuming that the ESGS Awards are satisfied via the issuance of new Shares, the pro forma effects of the Proposed LTIP on the total issued and paid-up share capital of our Company as at LPD are set out below:-

	Minimum Scenario No. of Shares	Maximum Scenario No. of Shares
Issued and paid-up share capital as at LPD	2,080,215,857	2,080,215,857
Upon full exercise of the Existing ESOS Options	-	98,256,307
Upon full exercise of the outstanding Warrants	-	576,519,012
Upon completion of the Private Placement	63,693,171	199,394,758
	2,143,909,028	2,954,385,934
Maximum number of Shares to be issued pursuant to the Proposed LTIP	214,390,902	295,438,593
Enlarged issued and paid-up share capital	2,358,299,930	3,249,824,527

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6.2

Substantial shareholders' shareholdings

The Proposed LTIP is not expected to have any immediate effect on the shareholdings of substantial shareholders of our Company until such time as and when new MRCEB Shares arising from the vesting of the ESGS Awards are allotted and issued. Any potential effect on the shareholdings of substantial shareholders of our Company in the future would depend upon the number of new MRCEB Shares allotted and issued at the relevant point in time.

For illustration purposes only, assuming that the ESGS Awards are satisfied via the issuance of new Shares, the pro forma effects of the Proposed LTIP on the shareholdings of the substantial shareholders of our Company based on the Register of Substantial Shareholders of our Company as at LPD is as follows:-

Minimum Scenario

Substantial shareholders	As at LPD		(I) After the Private Placement		After (I) and the Proposed LTIP	
	Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares
EPF	722,457,897	-	722,457,897	-	722,457,897	-
Gapurna Sdn Bhd ("GSB")	358,322,581	-	358,322,581	-	358,322,581	-
Lembaga Tabung Haji ("LTH")	180,983,873	-	180,983,873	-	180,983,873	-
Bank Kerjasama Rakyat Malaysia Berhad ("BKRM")	172,000,000	-	172,000,000	-	172,000,000	-
Tan Sri Salim	-	358,322,581 ⁽¹⁾	-	358,322,581 ⁽¹⁾	-	358,322,581 ⁽¹⁾
		17.23		16.71		15.19

Notes:-

* Excludes any entitlement under the Proposed LTIP which has not been determined as at the date of this Circular.

⁽¹⁾ Deemed interested by virtue of his substantial shareholding in GSB pursuant to Section 6A of the Act.

6.3 NA and gearing

The Proposed LTIP will not have any immediate effect on our Group's consolidated NA, NA per MRCB Share and gearing until such time that new MRCB Shares arising from the vesting of the ESGS Awards are allotted and issued. Any potential effect on the consolidated NA per MRCB Share will depend on the mode of settlement of the ESGS Awards and the number of new MRCB Shares to be issued (if any), both of which can only be determined at the date of vesting. Assuming all the ESGS Awards are satisfied via the allotment and issuance of new MRCB Shares, the consolidated NA per Share of our Company is expected to be diluted.

Nonetheless, the Proposed LTIP is not expected to have a material impact on our Group's NA, NA per MRCB Share and gearing for the FYE 31 December 2016.

6.4 Earnings and EPS

With the adoption of MFRS 2, the potential cost of awarding the ESGS Awards will have to be measured at fair value on the date of the grant and recognised as an expense in the statement of profit or loss of our Group over the vesting period of such new MRCB Shares under the grant.

The extent of the effect of the Proposed LTIP on the earnings and EPS of our Group cannot be determined at this juncture as it would depend on various factors that affect the fair value of the new MRCB Shares as at the respective dates of the grant. However, depending on the manner the ESGS Awards are satisfied, the potential cost of awarding the grant may not necessarily represent a cash outflow and may only be an accounting treatment.

The Proposed LTIP will have a dilutive effect on the EPS of our Group due to the increase in the number of MRCB Shares resulting from the allotment and issuance of new MRCB Shares pursuant to the Proposed LTIP.

Your Board will take into consideration the potential impact of the relevant applicable accounting standards on the future earnings of our Group when considering allocation and awarding of the grants to the Eligible Persons.

6.5 Convertible securities

Save for the outstanding Existing ESOS Options and outstanding Warrants, which are exercisable into new MRCB Shares, our Company does not have any other existing and outstanding convertible security as at LPD.

The Proposed LTIP will not have any effect on the terms and conditions of the outstanding Existing ESOS Options and outstanding Warrants.

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7. MARKET PRICES OF MRCB SHARES

The monthly highest and lowest market prices of MRCB Shares as traded on the Main Market of Bursa Securities for the past twelve (12) months from November 2015 to October 2016 are as follows:-

	<u>High</u> (RM)	<u>Low</u> (RM)
<u>2015</u>		
November	1.52	1.25
December	1.36	1.20
<u>2016</u>		
January	1.32	1.09
February	1.24	1.08
March	1.27	1.13
April	1.26	1.18
May	1.24	1.15
June	1.16	1.02
July	1.21	1.05
August	1.37	1.14
September	1.42	1.24
October	1.37	1.34
Last transacted market price of MRCB Shares on 24 August 2016 (being the last full trading day prior to the announcement of the Proposed LTIP on 25 August 2016)		RM1.31
Last transacted market price of MRCB Shares as at LPD		RM1.38

(Source: Bloomberg)

8. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, our Company expects to implement the Proposed LTIP by the second quarter of 2017.

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

The Interested Directors, are deemed interested in the Proposed LTIP by virtue of their eligibility for the ESG Awards in their capacity as Executive Directors to the extent of their respective specific allocations and/ or allocations to persons connected with them, if any.

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and voting in respect of any specific allocation of the ESG Awards to themselves respectively as well as the specific allocations to persons connected with them (where applicable) at the relevant Board meetings of our Company.

In addition, the Interested Directors will continue to abstain from voting in respect of their direct and/ or indirect shareholdings in our Company, if any, on the resolution pertaining to their respective allocations of ESG Awards and/ or allocations to persons connected with them, if any, under the Proposed LTIP at the EGM of our Company to be convened.

Further, the Interested Directors have also undertaken that they shall ensure that persons connected with them will abstain from voting in respect of their direct and/ or indirect shareholdings in our Company, if any, on the resolution pertaining to their respective specific allocations and allocations to persons connected with them, if any, under the Proposed LTIP at the EGM of our Company to be convened.

Save as disclosed above, none of the directors, major shareholders and/ or persons connected with them have any interest, direct or indirect, in the Proposed LTIP.

As at LPD, the direct and indirect shareholdings of our Interested Directors and person connected with them are as follows:-

	<-----Direct----->		<-----Indirect----->	
	No. of Shares	%	No. of Shares	%
Tan Sri Salim	-	-	358,322,581 ⁽¹⁾	17.23
Mohd Imran Tan Sri Mohamad Salim	-	-	-	-
Nor Izzati Tan Sri Mohamad Salim	-	-	-	-

Note:-

⁽¹⁾ Deemed interested by virtue of his substantial shareholding in GSB pursuant to Section 6A of the Act.

10. APPROVALS REQUIRED

The Proposed LTIP is subject to the following approvals being obtained:-

- (i) our shareholders at an EGM to be convened for the Proposed LTIP;
- (ii) Bursa Securities for the listing of and quotation for such number of new MRCB Shares representing up to ten percent (10%) of the issued and paid-up share capital of our Company (excluding treasury shares) to be issued pursuant to the Proposed LTIP on the Main Market of Bursa Securities, which was obtained vide its letter dated 11 October 2016, subject to, amongst others, the following conditions:-

No.	Conditions imposed	Status of compliance
1.	RHB Investment Bank is required to submit a confirmation to Bursa Securities of full compliance of the Proposed LTIP pursuant to paragraph 6.43 (1) of the Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in a general meeting; and	To be complied
2.	MRCB is required to furnish Bursa Securities on a quarterly basis a summary of the total number of MRCB Shares listed pursuant to the Proposed LTIP as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

and;

- (iii) any other relevant authorities and/ or parties, if required.

The Proposed LTIP is not conditional upon or inter-conditional with any other corporate exercise undertaken or to be undertaken by our Company.

11. DIRECTORS' STATEMENT

After having considered all aspects of the Proposed LTIP, including but not limited to the rationale and effects of the Proposed LTIP, your Board (with the exception of the Interested Directors, who have abstained from expressing any opinion or recommendation on any specific allocations to themselves respectively as well as specific allocations to persons connected with them (where applicable) under the Proposed LTIP, if any) is of the opinion that the Proposed LTIP is in the best interest of our Company and recommends that you vote in favour of the resolutions pertaining to the Proposed LTIP to be tabled at the EGM of our Company to be convened.

12. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Mahkota Ballroom II, BR Level, Hotel Istana Kuala Lumpur City Centre, 73, Jalan Raja Chulan, 50200 Kuala Lumpur on Wednesday, 30 November 2016 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without any modification the ordinary resolutions to give effect to the Proposed LTIP.

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.

13. FURTHER INFORMATION

You are advised to refer to the attached appendices of Part A of this Circular for further information.

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

TAN SRI AZLAN ZAINOL
Non-Independent Non-Executive Chairman

DRAFT BY-LAWS FOR THE PROPOSED LTIP**MALAYSIAN RESOURCES CORPORATION BERHAD
BY-LAWS OF THE LONG TERM INCENTIVE PLAN****PART I****1. NAME OF THE SCHEME**

This Scheme (as defined herein) shall be called the “Malaysian Resources Corporation Berhad Long Term Incentive Plan”.

2. OBJECTIVES OF THE SCHEME

2.1 The objectives of the LTIP (as defined herein) are as follows:

- (a) to provide the Company (as defined herein) with the flexibility to determine the most appropriate instrument or combination of instruments to attract, motivate, reward and/or retain the Eligible Persons (as defined herein) who have contributed to the success of the Group (as defined herein) and whose services are vital to the continued growth and performance of the Group;
- (b) to incentivise the Eligible Persons towards strategic business objectives by rewarding them with an equity stake in the Company;
- (c) to cultivate a sense of loyalty, dedication and commitment among the Eligible Persons by aligning the interests of the Eligible Persons with those of the shareholders of the Company; and
- (d) to make the Group’s remuneration scheme more competitive in order to attract prospective executives with relevant skills and experience to join and contribute to the Group.

2.2 In addition to the objectives set out in By-Law 2.1 above, the objective of the RSP (as defined herein) is to reward selected employees of the Group in recognition of their loyalty and contribution towards the growth and success of the Group and to motivate them to continue to contribute positively to the Group.

2.3 In addition to the objectives set out in By-Law 2.1 above, the objective of the PSP (as defined herein) is to reward selected senior management employees of the Group and the Executive Directors (as defined herein) of the Company, if certain prescribed performance targets set by the LTIP Committee (as defined herein) are met. The PSP is also intended to incentivise the senior management employees of the Group and Executive Directors of the Company to align their objectives with the key strategic objectives of the Group in order to maximise shareholder value.

3. DEFINITIONS AND INTERPRETATION

3.1 In these By-Laws, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

Act	The Companies Act 1965, as amended from time to time and any re-enactment thereof, including all regulations issued thereunder
Award Date	The date of the letter or electronic mail of which an ESGS Award is offered by the LTIP Committee to the Eligible Persons to participate in the Scheme

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

Board	The Board of Directors of MRCB for the time being
Bursa Depository	Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	Bursa Malaysia Securities Berhad (635998-W)
By-Laws	The rules, terms and conditions of the Scheme (as may be modified, varied and/or amended from time to time in accordance with By-Law 23)
CDS	Central Depository System
CDS Account	An account established by Bursa Depository for a depositor for the recording of deposits and withdrawal of securities and for dealings in such securities by a depositor
Company or MRCB	Malaysian Resources Corporation Berhad (7994-D), a public limited company incorporated in Malaysia under the Act and includes its successor-in-title and permitted assigns
Date of Expiry	The last day of the Duration of the Scheme as defined in By-Law 21.1
Director	A director of the Company within the meaning of Section 4 of the Act, which for the avoidance of doubt excludes alternate directors
Disciplinary Proceedings	Proceedings instituted by the MRCB Group against an Executive for any alleged misbehaviour, misconduct and/or any other act of the Executive deemed to be unacceptable by the MRCB Group in the course of that Executive's employment, whether or not such proceedings may give rise to a dismissal or termination of the contract of service of such Executive
Duration of the Scheme	The duration of the Scheme as defined in By-Law 21.1
Effective Date	The date on which the Scheme comes into force as provided in By Law 21.1
EGM	Extraordinary General Meeting
Eligible Person(s)	The Executives and the Executive Directors who meet the criteria of eligibility for participation in the Scheme as set out in By-Law 5
Entitlement Date	The date as at the close of business on which the Company's shareholders' names must appear in MRCB's Record of Depositors and/or Register of Members in order to be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to the shareholders of the Company
ESGS	The executive share grant scheme comprising the RSP and/or the PSP

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

ESGS Award(s)	Award(s) of Share(s) comprising the PSP Grant or RSP Grant made in writing by the LTIP Committee from time to time to Eligible Person(s) to participate in the ESGS in the manner set out in these By-Laws
ESGS Grantee	A PSP Grantee and/or a RSP Grantee, as the case may be
Executive	A natural person who is employed by and on the payroll of any company in the Group whose employment has been confirmed in writing
Executive Director	A Director of the Company who, on the Award Date, is on the payroll of the Group and is involved in the management of any corporation within the Group
Existing ESOS 2007	The existing employees' share option scheme of the Company, which was effective on 31 October 2007 and extended by another period of 5 years, and which is due to expire on 30 October 2017
Group or MRCB Group	The Company and its subsidiary company(ies) as defined in Section 5 of the Act (which for the avoidance of doubt shall exclude the Company's associate company(ies)) and which are not dormant. Subject to the foregoing, the expression "subsidiary company(ies)" shall for the purposes hereof include subsidiaries which are existing as at the Effective Date, and such subsidiaries which the LTIP Committee may, from time to time, determine at its discretion and subsidiaries which are incorporated or acquired at any time during the Duration of the Scheme, but excludes subsidiaries which have been divested in the manner provided in By-Law 19
Listing Requirements	The Main Market Listing Requirements of Bursa Securities, including any amendments thereto that may be made from time to time
LTIP or Scheme	Malaysian Resources Corporation Berhad Long Term Incentive Plan for the ESGS which shall be administered in accordance with these By-Laws
LTIP Committee	The committee appointed by the Board to administer the LTIP in accordance with By-Law 24, comprising such number of the Directors and/or senior management personnel of the MRCB Group identified from time to time
Market Day	Any day between Monday and Friday, both days inclusive, which is not a public holiday and on which Bursa Securities is open for the trading of securities
Maximum Allowable Allotment	The maximum number of Shares in respect of the ESGS Awards that can be offered and allotted to an Eligible Person in accordance with By-Law 6.3

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

Performance Targets	The performance targets determined by the LTIP Committee, which are to be achieved by the ESGS Grantee and/or Group and/or business units within the Group as determined by the LTIP Committee, during such period as specified in the ESGS Award
Principal Adviser	A corporate finance adviser responsible for making submissions to the SC for corporate proposals, as defined in the Principal Adviser Guidelines issued by the SC
PSP	The performance share plan adopted or to be adopted by the Company under the ESGS, as may be modified or altered from time to time
PSP Grant	A grant of Shares made in writing by the LTIP Committee from time to time to an Eligible Person under the PSP
PSP Grantee	An Eligible Person who has accepted a PSP Grant in the manner provided in By-Law 8
PSP Vesting Date(s)	The date or dates as may be determined by the LTIP Committee on which all or some of the Shares awarded under a PSP Grant to an Eligible Person is/are vested in accordance with By-Law 9
Record of Depositors	The record of securities holders as established by Bursa Depository under the Rules of Bursa Depository
RM and sen	Ringgit Malaysia and sen respectively
RSP	The restricted share plan adopted or to be adopted by the Company under the ESGS, as may be modified or altered from time to time
RSP Grant	A grant of Shares made in writing by the LTIP Committee from time to time to an Eligible Person under the RSP
RSP Grantee	An Eligible Person who has accepted a RSP Grant in the manner provided in By-Law 8
RSP Vesting Date(s)	The date or dates as may be determined by the LTIP Committee on which all or some of the Shares awarded under a RSP Grant to an Eligible Person is/are vested in accordance with By-Law 9
Rules of Bursa Depository	The rules of Bursa Depository, as issued pursuant to SICDA
SC	Securities Commission Malaysia
Shares	Ordinary shares of RMI.00 each in the Company or such other par value from time to time or, if due to a change in law, par value is no longer legally required to be ascribed to the share capital of the Company, the relevant ordinary share capital of the Company from time to time
SICDA	Securities Industry (Central Depositories) Act 1991, as amended from time to time

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

PART II**4. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE SCHEME**

4.1 The aggregate maximum number of Shares which may be made available under the Scheme shall not in aggregate exceed ten percent (10%) (or at any per centum in accordance with any guidelines, rules and regulations of the relevant authorities governing the Scheme during the existence of the Scheme) of the issued and paid-up share capital of the Company (excluding treasury shares, if any) at any point of time during the Duration of the Scheme as provided in By-Law 21.1.

4.2 Pursuant to the Listing Requirements, a listed issuer may implement more than one (1) scheme involving a new issuance of shares to employees, provided that the aggregate number of shares available under all such schemes does not breach the prescribed limit of fifteen percent (15%) of its issued and paid-up capital (excluding treasury shares) at any one time. Notwithstanding the foregoing, the Board shall ensure that at any point of time and at all times throughout the subsistence/tenure of the Existing ESOS 2007, the aggregate number of Shares to be issued under the Scheme and the Existing ESOS 2007 together with the Shares to be issued under any other employee share scheme(s) of the Company which are established by the Company and which are still subsisting at the time that an ESGS Award is offered, shall not exceed an aggregate number of Shares equivalent to ten percent (10%) of the issued and paid-up share capital (excluding treasury shares) of the Company at the relevant time.

4.3 Notwithstanding By-Law 4.1 above or any other provisions herein contained, in the event –

- (a) the maximum number of Shares granted under the Scheme exceeds in aggregate ten percent (10%) of the issued and paid-up share capital of the Company (excluding treasury shares, if any); or
- (b) during the subsistence/tenure of the Scheme and any other employee share scheme(s) of the Company which are still subsisting at the time that an ESGS Award may be offered, the aggregate number of Shares to be issued under the Scheme and the Existing ESOS 2007 and any other subsisting employee share scheme(s) exceeds an amount equivalent to ten percent (10%) of the issued and paid-up share capital (excluding treasury shares) of the Company at the relevant time,

as a result of the Company purchasing its own Shares pursuant to Section 67A of the Act or the Company undertaking any corporate proposal and thereby diminishing the issued and paid-up share capital of the Company, then such ESGS Awards granted prior to the adjustment of the issued and paid-up share capital (excluding treasury shares, if any) of the Company shall remain valid and exercisable in accordance with these By-Laws. However, in such a situation, the LTIP Committee shall not make any further ESGS Awards unless –

- (1) the total number of Shares made available under the Scheme falls below ten percent (10%) of the issued and paid-up share capital of the Company (excluding treasury shares, if any) at any point of time during the Duration of the Scheme as provided in By-Law 21.1; or
- (2) the aggregate number of Shares made available under the Scheme and the Existing ESOS 2007 and any other subsisting employee share scheme(s) falls below ten percent (10%) of the issued and paid-up share capital (excluding treasury shares, if any) of the Company at the relevant time.

4.4 The Company will keep available sufficient unissued Shares in its authorised share capital to satisfy all outstanding ESGS Awards throughout the Duration of the Scheme.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

5. ELIGIBILITY

- 5.1 Only the Executives and the Executive Directors who fulfil the following conditions as at the Award Date shall be eligible to participate in the Scheme:
- (a) he/she has attained the age of eighteen (18) years;
 - (b) he/she is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
 - (c) in respect of an Executive, such Executive fulfils the following criteria as at the Award Date:
 - (i) he/she is a confirmed full-time employee on the payroll of a corporation within the MRCB Group;
 - (ii) he/she has been employed by one (1) or more corporations within the MRCB Group for such period as may be determined by the LTIP Committee; and
 - (iii) such Executive falls within any other eligibility criteria as may be determined by the LTIP Committee from time to time at its sole discretion, whose decision shall be final and binding; and
 - (d) in respect of an Executive Director, such Executive Director fulfils the following criteria as at the Award Date:
 - (i) he/she has been appointed as an Executive Director of the Company; and
 - (ii) he/she has been involved in the management of any corporation within the MRCB Group.

For the purposes of these By-Laws, unless the context otherwise requires, "persons connected" with an Eligible Person shall have the meaning given in relation to persons connected with a Director or major shareholder of a corporation as defined in paragraph 1.01 of the Listing Requirements.

For the avoidance of doubt, an Executive who attains the prescribed retirement age but is offered to continue to serve the Group shall be treated as an Executive of the Group.

- 5.2 Where a specific allocation of Shares is proposed to be made pursuant to an ESGS Award to the chief executive officer or such other position equivalent to the chief executive officer of the Company and/or to an Executive Director and/or to a major shareholder of the Company and/or to persons connected with him/her under the Scheme, any such allocation must have been approved by the shareholders of the Company in a general meeting provided always that the chief executive officer of the Company and/or any such Executive Director and/or major shareholder of the Company and/or persons connected with him/her shall not have voted on the resolution approving the said allocation of Shares to be made thereunder and any such grant and allocation is not prohibited or disallowed by the relevant authorities or by any laws or regulation.
- 5.3 In the case of any Executive employed on fixed term contract of service basis, he/she shall be eligible to participate in the Scheme if he/she meets the criteria referred to in By-Law 5.1 above and whose service has been confirmed. Notwithstanding the aforesaid, the eligibility of such an Executive (employed on fixed term contract of service basis) to participate in the Scheme shall be at the sole discretion of the LTIP Committee and the decision of the LTIP Committee shall be final and binding. The LTIP Committee shall not be under any obligation to give any reasons for its decision.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

- 5.4 Without prejudice to the generality of the foregoing and subject to the LTIP Committee's discretion otherwise, any ESGS Award made by the LTIP Committee shall become void, of no effect and cease to be capable of acceptance by the Eligible Persons selected by the LTIP Committee to whom an ESGS Award is made ("**Selected Executive**") upon any of the following events occurring:
- (a) the death of the Selected Executive;
 - (b) the Selected Executive having received a letter of termination or ceasing to be an employee of the MRCB Group, for any reason whatsoever;
 - (c) the Selected Executive giving notice of his/her resignation from service/employment;
 - (d) the corporation which employs the Selected Executive ceasing to be part of the MRCB Group;
 - (e) the Selected Executive is subject to the Disciplinary Proceedings; or
 - (f) the Selected Executive is adjudicated a bankrupt.
- 5.5 The LTIP Committee may from time to time at its discretion select and identify suitable Eligible Persons to be offered the ESGS Award. In the event that any Eligible Persons are a member of the LTIP Committee, such Eligible Persons shall not participate in the deliberation or discussion of their own respective allocations.
- 5.6 Any Eligible Person who holds more than one (1) position within the MRCB Group shall only be entitled to the Maximum Allowable Allotment of any one (1) category/designation. Each Executive Director shall only be entitled to the Maximum Allowable Allocation irrespective of his/her sitting on more than one (1) board of directors. The LTIP Committee shall be entitled at its discretion to determine the applicable category/designation.
- 5.7 For the avoidance of doubt, an Executive of a dormant company within the Group is not eligible to participate in the Scheme.
- 5.8 Eligibility under the Scheme does not confer upon the Eligible Person a claim or right to participate in or any rights whatsoever under the Scheme and an Eligible Person does not acquire or have any rights over or in connection with the ESGS Awards unless an ESGS Award has been made by the LTIP Committee to the Eligible Person and the Eligible Person has accepted the ESGS Award in accordance with By-Law 8 hereof.
- 5.9 Notwithstanding any provisions in these By-Laws, the LTIP Committee shall be under no obligation to offer the ESGS Award to the Eligible Persons and shall have the discretion to determine and change any criteria or basis of making the offers of the ESGS Award from time to time.
- 5.10 An Eligible Person is eligible to participate in the ESGS.
- 5.11 Notwithstanding anything to the contrary, an Eligible Person may participate at any time in another employee share scheme or share option scheme of the Company or any other corporation within the MRCB Group, unless the Board otherwise determines in its discretion.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

6. BASIS OF ALLOTMENT AND MAXIMUM ALLOWABLE ALLOCATION OF SHARES

- 6.1 Subject to By-Law 4.1 and any adjustments which may be made under By-Law 17, the aggregate maximum number of Shares that may be allocated to any one category/designation of Eligible Person shall be determined entirely at the discretion of the LTIP Committee.
- 6.2 To the extent possible and subject always to By-Law 6.3, the LTIP Committee will ensure that there should be equitable allocation to various grades of Eligible Persons.
- 6.3 Not more than ten percent (10%) of the total number of Shares to be made available under the Scheme and any other employee share scheme(s) of the Company which may still be subsisting at the point in time when an ESGS Award is offered shall be allocated to any Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company (excluding treasury shares, if any).
- 6.4 Subject to By-Law 6.3, the aggregate number of Shares that may be offered to an Eligible Person under the Scheme shall be determined at the sole discretion of the LTIP Committee after taking into consideration, amongst others, the provisions of the Listing Requirements or other applicable regulatory requirements prevailing during the Duration of the Scheme relating to executives' and/or directors' share issuance schemes and after taking into consideration the performance, targets, position, annual appraised performance, seniority and/or length of service, contribution, category or grade of employment of the Eligible Person or such other matters which the LTIP Committee may in its sole discretion deem fit. At the time the ESGS Award is offered, the LTIP Committee shall set out the basis of the allocation of the ESGS Award(s) made to the Eligible Person(s) having the further particulars as set out in By-Law 7.3.
- 6.5 The actual number of Shares which may be offered to any Eligible Person under the ESGS Award shall be at the sole discretion of the LTIP Committee provided that the number of Shares so awarded shall be the equivalent of not less than one hundred (100) Shares or more than the Maximum Allowable Allocation of such Eligible Person and shall be in multiples of one hundred (100) Shares.
- 6.6 The LTIP Committee may make more than one (1) ESGS Award to an Eligible Person **PROVIDED THAT** the aggregate number of Shares so awarded to an Eligible Person throughout the Duration of the Scheme does not exceed the Maximum Allowable Allotment of such Eligible Person, subject always to By-Law 6.3.
- 6.7 The Company shall ensure that allocation of Shares pursuant to the Scheme is verified by the Audit Committee of the Company at the end of each financial year as being in compliance with the criteria for allocation of Shares which have been disclosed to the Executives and the Executive Directors. A statement by the Audit Committee of the Company verifying such allocations shall be included in the annual report of the Company.
- 6.8 For the avoidance of doubt, the LTIP Committee shall have sole discretion in determining whether the Shares available for vesting under the Scheme are to be awarded to the Eligible Person via:
- (a) one single ESGS Award; or
 - (b) several ESGS Awards,

whereby the vesting of the Shares comprised in any one single ESGS Award or several ESGS Awards may be staggered in several tranches at such times and on such terms as determined by the LTIP Committee.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

- 6.9 In the event the LTIP Committee decides that the ESGS Awards or the vesting of any number of Shares comprised in an ESGS Award is to be staggered, the number of Shares comprised in each ESGS Award, the vesting conditions and the vesting dates for the same shall be decided by the LTIP Committee at its discretion. Each ESGS Award shall be separate and independent from the others.
- 6.10 No Executive Director or Executive shall participate in the deliberation and discussion of their own respective allocations and/or allocations to persons connected to them.

PART III**7. ESGS AWARD**

- 7.1 During the Duration of the Scheme, the LTIP Committee may at its discretion at any time from the Effective Date and from time to time make an ESGS Award in writing for acceptance in accordance with By-Law 8 below to any Eligible Person based on the criteria for allotment as set out in By-Law 6 and otherwise in accordance with the terms of the Scheme.
- 7.2 The actual number of Shares which may be awarded to an Eligible Person shall be at the discretion of the LTIP Committee, subject to any adjustments that may be made under By-Law 17. The number of Shares so awarded shall not be less than one hundred (100) Shares nor more than the Maximum Allowable Allocation of such Eligible Person and shall be in multiples of one hundred (100) Shares. The LTIP Committee may stipulate any terms and conditions it deems appropriate in an ESGS Award and the terms and conditions of each may differ. Nothing herein shall require any ESGS Award offered to be the same as ESGS Awards previously or subsequently offered whether to the same or a different Eligible Person.
- 7.3 The LTIP Committee will in its letter of offer for an ESGS Award to an Eligible Person (“**ESGS Award Letter**”) state, amongst others:
- (a) whether the ESGS Award is a PSP Grant and/or a RSP Grant;
 - (b) the number of Shares that are the subject of the ESGS Award;
 - (c) the date of the ESGS Award;
 - (d) the Vesting Conditions, if any;
 - (e) the RSP Vesting Date(s) and/or the PSP Vesting Date(s) (as applicable);
 - (f) the Validity Period as mentioned in By-Law 7.4; and
 - (g) any other terms and conditions deemed necessary by the LTIP Committee.
- 7.4 The ESGS Award shall be valid for acceptance for a period of fourteen (14) days from the Award Date or such period as the LTIP Committee at its sole discretion determines on a case to case basis (“**Validity Period**”).
- 7.5 Without prejudice to By-Law 24, in the event of an error on the part of the LTIP Committee in stating any of the particulars referred to in By-Law 7.3, as soon as possible but in any event no later than one (1) month after discovery of the error, the LTIP Committee shall issue a supplemental ESGS Award Letter, stating the correct particulars referred to in By-Law 7.3.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

8. ACCEPTANCE OF ESGS AWARD

- 8.1 An ESGS Award shall be accepted by an Eligible Person within the Validity Period by written notice to the LTIP Committee accompanied by a payment to the LTIP Committee of a nominal non-refundable consideration of Ringgit Malaysia One (RM1.00) only to accept the ESGS Award (regardless of the number of Shares comprised therein).
- 8.2 If the ESGS Award is not accepted in the manner set out in By-Law 8.1 above, the ESGS Award shall automatically lapse upon the expiry of the Validity Period and be null and void and be of no further force and effect (unless otherwise extended at any time and from time to time by the LTIP Committee). The Shares comprised in such ESGS Award may, at the discretion of the LTIP Committee, be re-offered to other Eligible Persons.
- 8.3 The Eligible Persons are not required to pay for the Shares they are entitled to receive upon vesting of the Shares pursuant to the ESGS Award.

9. VESTING CONDITIONS AND SATISFACTION OF VESTING CONDITIONS

- 9.1 In relation to a PSP Grant, the LTIP Committee shall, as and when it deems practicable and necessary, review and determine at its own discretion the Vesting Conditions specified in respect of a PSP Grant awarded under the ESGS. The Shares or such part thereof as may be specified in respect of a PSP Grant awarded under an ESGS Award will only vest with the PSP Grantee on the PSP Vesting Date(s) if the Vesting Conditions are fully and duly satisfied, including the following:
- (a) the PSP Grantee remains employed as an Executive or Executive Director (as the case may be) and shall not have given notice of resignation or received a notice of termination as at the PSP Vesting Date(s) or has otherwise ceased or had his/her employment terminated;
 - (b) the PSP Grantee has not been adjudicated a bankrupt;
 - (c) the Performance Targets and performance period are fully and duly satisfied; and/or
 - (d) any other conditions which are determined by the LTIP Committee.
- 9.2 In relation to a RSP Grant, the LTIP Committee shall, as and when it deems practicable and necessary, review and determine at its own discretion the Vesting Conditions specified in respect of a RSP Grant awarded under the ESGS. The Shares or such part thereof as may be specified in respect of a RSP Grant awarded under an ESGS Award will only vest with the RSP Grantee on the RSP Vesting Date(s) if the Vesting Conditions are fully and duly satisfied, including the following:
- (a) the RSP Grantee must remain an Executive or Executive Director (as the case may be) and shall not have given notice of resignation or received a notice of termination as at the RSP Vesting Date(s) or has otherwise ceased or had his/her employment terminated;
 - (b) the RSP Grantee has not been adjudicated a bankrupt; and/or
 - (c) any other conditions which are determined by the LTIP Committee.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

- 9.3 The LTIP Committee shall have full discretion to determine whether the Performance Targets or performance period have been fully and duly satisfied. In the event that the LTIP Committee shall determine that the Performance Targets or performance period are not fully and duly satisfied, the LTIP Committee may, at its discretion, adjust the number of Shares (if any) which may vest in the PSP Grantee on the PSP Vesting Date(s) and/or take into account the shortfall in such manner as the LTIP Committee may in its discretion otherwise deem fit.
- 9.4 Where the LTIP Committee has determined that the Vesting Conditions have been fully and duly satisfied, the LTIP Committee shall notify –
- (a) the PSP Grantee of the number of Shares vested or which will be vested in him/her on the PSP Vesting Date (“**PSP Vesting Notice**”); or
 - (b) the RSP Grantee of the number of Shares vested or which will be vested in him/her on the RSP Vesting Date (“**RSP Vesting Notice**”).
- 9.5 No PSP Grantee shall have any right to or interest in the Shares comprised in an ESGS Award until and unless the Shares are vested in him/her on and with effect from the PSP Vesting Date. No RSP Grantee shall have any right to or interest in the Shares comprised in an ESGS Award until and unless the Shares are vested in him/her on and with effect from the RSP Vesting Date.
- 9.6 The PSP Grantee and the RSP Grantee shall provide all information as required in the PSP Vesting Notice and the RSP Vesting Notice and the ESGS Award Letter respectively and the Company shall within eight (8) Market Days after the respective PSP Vesting Date and RSP Vesting Date, or such other period as may be prescribed or allowed by Bursa Securities, and subject to the provisions of the Articles of Association of the Company, the SICDA and the Rules of Bursa Depository, allot and issue the relevant number of new Shares and/or transfer the relevant number of existing Shares to the respective PSP Grantee and RSP Grantee accordingly and apply to Bursa Securities for the quotation for any new Shares arising from the vesting of an ESGS Award. The said Shares will be credited directly into the CDS Account of the respective PSP Grantee and RSP Grantee, and a notice of allotment and/or notice of transfer stating the number of Shares so credited will be issued to the respective PSP Grantee and RSP Grantee. No physical share certificates will be issued and/or delivered to the respective PSP Grantee and RSP Grantee or his/her authorised nominee (as the case may be).
- 9.7 Notwithstanding anything to the contrary herein contained in these By-Laws, the LTIP Committee shall have the right, at its discretion by notice in writing to that effect to the ESGS Grantee, to suspend the right of any ESGS Grantee who is being subject to Disciplinary Proceedings (whether or not such Disciplinary Proceedings may give rise to a dismissal or termination of service of such ESGS Grantee or are found to have had no basis or justification) to have vested in him/her an ESGS Award granted pending the outcome of such Disciplinary Proceedings. In addition to this right of suspension, the LTIP Committee may impose such terms and conditions as the LTIP Committee shall deem appropriate at its sole discretion, on the ESGS Grantee’s right to have vested in him/her having regard to the nature of the charges made or brought against such ESGS Grantee, PROVIDED ALWAYS that:
- (a) in the event such ESGS Grantee is found not guilty of the charges which gave rise to such Disciplinary Proceedings, the LTIP Committee shall reinstate the right of such ESGS Grantee to his/her ESGS Awards as if the Disciplinary Proceedings has not been instituted in the first place;
 - (b) in the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service of such ESGS Grantee, all unvested ESGS Awards shall immediately lapse and be null and void and of no further force and effect, without notice to the ESGS Grantee, upon pronouncement of the dismissal or termination of service of such ESGS Grantee notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged (whether or not such challenge is successful or otherwise) or disputed by the ESGS Grantee in any other forum;

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

- (c) in the event the ESGS Grantee is found guilty but no dismissal or termination of service is recommended, the LTIP Committee shall have the right to determine at its discretion whether or not the ESGS Grantee may continue to have the ESGS Award vested in him/her and if so, to impose such terms and conditions as it deems appropriate, on such exercise rights; and
- (d) in the event that no decision is made and/or Disciplinary Proceedings are not concluded prior to the Date of Expiry, the ESGS Award of such ESGS Grantee shall immediately lapse on the Date of Expiry without notice,

and nothing herein shall impose any obligation on the LTIP Committee to enquire into or investigate the substantiveness and/or validity of such Disciplinary Proceeding(s) and the LTIP Committee shall not under any circumstances be held liable for any costs, losses, expenses, damages or liabilities, gains or profits foregone, arising from the LTIP Committee's exercise of or failure to exercise any of its rights under these By-Laws.

PART IV**10. NON-TRANSFERABILITY**

- 10.1 An ESGS Award is personal to the ESGS Grantee and subject to the provisions of By-Laws 10.2, 10.3 and 13.2, is exercisable only by the ESGS Grantee personally during the Duration of the Scheme whilst he/she is in the employment of any company in the Group.
- 10.2 An ESGS Award shall not be transferred, assigned, disposed of or subject to any encumbrances by the ESGS Grantee. Any attempt to transfer, assign, dispose or encumber any ESGS Award shall result in the automatic cancellation of the ESGS Award.
- 10.3 Notwithstanding this By-Law 10, in the event an ESGS Grantee is transferred to another company within the Group which has its own share issuance scheme, the ESGS Grantee shall be entitled to continue to be vested with such number of unvested Shares under the ESGS Awards granted under the Scheme, in accordance with these By-Laws, unless the Board otherwise determines in its discretion.

11. RIGHTS ATTACHING TO SHARES AND ESGS AWARDS

- 11.1 The new Shares to be allotted and issued upon the vesting of any ESGS Awards under the Scheme will be subject to the provisions of the Articles of Association of the Company and will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions, which may be declared, made or paid to shareholders, the Entitlement Date of which precedes the date of allotment and issuance of the new Shares.
- 11.2 In respect of the existing Shares to be transferred to the ESGS Grantees, such Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, which may be declared, made or paid to shareholders, the Entitlement Date of which precedes the date on which the existing Shares are credited into the CDS Accounts of the respective ESGS Grantees pursuant to the vesting of the ESGS Awards.
- 11.3 The ESGS Awards shall not carry any rights to vote at any general meeting of the Company. For the avoidance of doubt, the ESGS Grantee shall not in any event be entitled to any dividends, rights, allotments or other distributions on his/her unvested ESGS Awards.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

12. NO RESTRICTION ON DEALING/ NO RETENTION PERIOD

The new Shares to be allotted and issued and the existing Shares to be transferred to an ESGS Grantee under the Scheme shall not be subject to any retention period or restriction on transfer. However, the Company encourages ESGS Grantees to hold the Shares granted to and/or subscribed for by them for as long as possible although an ESGS Grantee may sell the Shares granted to and/or subscribed for by the ESGS Grantee at any time after such Shares have been credited to the ESGS Grantee's CDS Account. An ESGS Grantee should note that the Shares are intended for him/her to hold as an investment rather than for any speculative purposes and/or for the realisation of any immediate gain.

13. TERMINATION OF THE ESGS AWARD

13.1 Prior to the full vesting of any ESGS Award and/or the allotment or satisfaction by any other means of an ESGS Award in the manner as provided for under By-Law 24.2, such ESGS Award that remain unvested or unsatisfied (as the case may be) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Group in the following circumstances:

- (a) Termination or cessation of employment of the ESGS Grantee with the Group for any reason whatsoever, in which event the ESGS Award shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any other member of the Group on the day the ESGS Grantee's employer accepts his/her notice of resignation or the ESGS Grantee's employer notifies the ESGS Grantee of termination of his/her employment or on the day the ESGS Grantee notifies his/her employer of his/her resignation or on the ESGS Grantee's last day of employment, whichever is the earlier; or
- (b) Bankruptcy of the ESGS Grantee, in which event the ESGS Award shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Group on the date a receiving order is made against the ESGS Grantee by a court of competent jurisdiction; or
- (c) Upon the happening of any other event which results in the ESGS Grantee being deprived of the beneficial ownership of the ESGS Award, in which event the ESGS Award shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Group on the date such event occurs; or
- (d) Winding up or liquidation of the Company, in which event the ESGS Award shall be automatically terminated and/or cease to be valid on the following date:
 - (i) In the case of a voluntary winding up, the date on which a provisional liquidator is appointed by the Company; or
 - (ii) In the case of an involuntary winding up, the date on which a petition for winding up is served on the Company; or
- (e) Termination of the Scheme pursuant to By-Law 21.4, in which event the ESGS Award shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Group on the Termination Date (as defined below) pursuant to By-Law 21.4,

whichever shall be applicable.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

Upon the termination of the ESGS Award(s) pursuant to By-Laws 13.1(a), (b), (c), (d) or (e) above, the ESGS Grantee shall have no right to compensation or damages or any claim against the Company or any other member of the Group from any loss of any right or benefit or prospective right or benefit under the Scheme which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from him/her ceasing to hold office or employment or from the suspension of his/her entitlement to the award of, acceptance or vesting of any ESGS Award(s) or his/her ESGS Award(s) ceasing to be valid.

13.2 Notwithstanding By-Law 13.1(a) above, the LTIP Committee may at its discretion allow for all or any part of any unvested ESGS Awards to vest in accordance with the provisions of these By-Laws, and at the times or period at or within which such ESGS Awards may vest (provided that no ESGS Awards shall vest after the respective PSP Vesting Date(s) or RSP Vesting Date(s) has passed)) on such terms and conditions as it shall deem fit if the cessation of employment occurs as a result of:

- (a) Ill-health, injury, physical or mental disability; or
- (b) Retirement before attaining the normal retirement age with the consent of his/her employer; or
- (c) Redundancy or retrenchment pursuant to the acceptance by that ESGS Grantee of a voluntary separation scheme offered by a company within the Group; or
- (d) Any other circumstance as may be deemed as acceptable to the LTIP Committee in its sole discretion.

13.3 Applications under By-Law 13.2 shall be made:-

- (a) in a case where By-Law 13.2(a) is applicable, within six (6) months after the ESGS Grantee notifies his/her employer of his/her resignation due to ill health, injury, physical or mental disability, the ESGS Grantee may be vested with such number of unvested Shares under the ESGS within the said six (6) months period. In the event that no application is received by the LTIP Committee within the said period, any unvested Shares under the ESGS Award at the expiry of the said period shall be automatically terminated;
- (b) in a case where By-Laws 13.2(b) or (c) is applicable, within six (6) months after the ESGS Grantee's last day of employment, the ESGS Grantee may be vested with such number of unvested Shares under the ESGS within the said six (6) months period. In the event that no application is received by the LTIP Committee within the said period, any such number of unvested Shares under the ESGS Award (as the case may be) at the expiry of the said period shall be automatically terminated;
- (c) in a case where By-Law 13.2(d) is applicable, the ESGS Grantee may be vested with such number of unvested Shares under the ESGS Award within one (1) month after he/she is notified. Thereafter, any such number of unvested Shares under the ESGS Award at the expiry of the said period shall be automatically terminated.

14. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS

All ESGS Grantees shall be entitled to inspect a copy of the latest annual audited consolidated financial statements of the Company, which shall be made available on Bursa Securities' website as well as the Company's website.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)**15. SCHEME NOT A TERM OF EMPLOYMENT**

The Scheme shall not confer or be construed to confer on an Eligible Person any special rights or privileges over the Eligible Person's terms and conditions of employment in the Group under which the Eligible Person is employed nor any rights additional to any compensation or damages that the Eligible Person may be normally entitled to arising from the cessation of such employment. The Scheme shall not form part of or constitute or be in any way construed as a term or condition of employment of any employee of the Group.

16. TAXES

For the avoidance of doubt, all other costs, fees, levies, charges and/or taxes (including, without limitation, income taxes) that are incurred by an ESGS Grantee pursuant to or relating to the vesting of any Shares under the ESGS Awards, and any holding or dealing of such Shares (such as (but not limited to) brokerage commissions and stamp duty) shall be borne by that ESGS Grantee for his/her own account and the Company shall not be liable for any one or more of such costs, fees, levies, charges and/or taxes.

PART V**17. ALTERATION OF SHARE CAPITAL AND ADJUSTMENTS**

17.1 In the event of any alteration in the capital structure of the Company during the Duration of the Scheme, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction or any other variation of capital or otherwise howsoever, the LTIP Committee may, in its discretion, determine whether the number of Shares comprised in the unvested ESGS Awards, shall be adjusted, and if so, the manner in which such adjustments should be made.

17.2 The provisions of this By-Law 17 shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:

- (a) An issue of Shares pursuant to the vesting of ESGS Awards under the Scheme; or
- (b) An issue of securities as consideration or part consideration for an acquisition of any other securities, assets or business; or
- (c) An issue of securities via a placement; or
- (d) Any special issuance of new Shares or other securities to Bumiputera investors nominated by the Malaysian government and/or any other relevant authority of the Malaysian government to comply with the Malaysian government's policy on Bumiputera capital participation; or
- (e) A restricted issue of securities; or
- (f) An issue of warrants, convertible loan stocks or other instruments by the Company which give a right of conversion into new Shares arising from the conversion of such securities; or
- (g) A purchase by the Company of its own Shares of all or a portion of such Shares purchased pursuant to Section 67A of the Act.

17.3 Save as expressly provided for herein, the external auditors or Principal Adviser selected by the Directors (acting as an expert and not as an arbitrator) must confirm in writing that the adjustments are in their opinion, fair and reasonable. The opinion of such external auditors or Principal Adviser shall be final, binding and conclusive.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

- 17.4 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Part VII of the Act, By-Law 17.1 shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 17.1 is applicable, but By-Law 17.1 shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 17.1 is not applicable as described in By-Law 17.2.
- 17.5 An adjustment pursuant to By-Law 17.1 shall be made according to the following terms:
- (a) In the case of a rights issue, bonus issue or other capitalisation issue, on the next Market Day immediately following the Entitlement Date in respect of such issue; or
 - (b) In the case of a consolidation or subdivision of Shares or reduction of capital, on the next Market Day immediately following the date on which the consolidation, subdivision or reduction becomes effective (being the date when the Shares are traded on Bursa Securities at the new par value) or such other period as may be prescribed by Bursa Securities.
- 17.6 Upon any adjustment required to be made pursuant to this By-Law 17, the Company shall notify the ESGS Grantee (or his/her duly appointed personal representatives where applicable) in writing and deliver to him/her (or his/her duly appointed personal representatives where applicable) a statement setting forth the number of Shares comprised in the unvested ESGS Awards which are the subject of the adjusted ESGS Award. Any adjustment shall take effect upon such written notification being given or such date as may be specified in such written notification.
- 17.7 In respect of the ESGS Awards, any adjustment pursuant to this By-Law 17 shall be made in accordance with the following formulae below (as applicable), pursuant to By-Law 17.6:
- (a) If and whenever a Share by reason of any consolidation or subdivision or conversion shall have a different par value, the number of Shares relating to the ESGS Awards shall be adjusted by multiplying the existing number of Shares relating to the ESGS Awards by the following fraction:

$$\frac{\text{Former Par Value}}{\text{Revised Par Value}}$$

Notwithstanding the foregoing provisions of this By-Law 17.7(a), no adjustment to the number of Shares relating to the ESGS Awards shall be made or be applicable in respect of any par value reduction exercise undertaken by the Company which does not result in any change to the existing number of Shares in issue.

- (b) If and whenever the Company shall make any issue of new Shares to ordinary shareholders credited as fully paid-up, by way of bonus issue or capitalisation of profits or reserves of the Company (whether of a capital or income nature and including any share premium account and capital redemption reserve fund), the number of Shares relating to the ESGS Awards shall be adjusted by multiplying the existing number of Shares relating to the ESGS Awards by the following fraction:

$$\left(\frac{A + B}{A} \right)$$

Where:

A = the aggregate number of issued and fully paid-up Shares immediately before such bonus issue or capitalisation issue; and

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

B = the aggregate number of Shares to be issued pursuant to any allotment to ordinary shareholders of the Company credited as fully paid-up by way of bonus issue or capitalisation of profits or reserves of the Company (whether of a capital or income nature and including any share premium account and capital redemption reserve fund).

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

- (c) If and whenever the Company shall make:
- (1) a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or
 - (2) any offer or invitation to ordinary shareholders whereunder they may acquire or subscribe new Shares by way of rights; or
 - (3) any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares attached thereto,

then and in respect of each such case, the number of Shares relating to the ESGS Awards shall be adjusted by multiplying the existing number of Shares relating to the ESGS Awards by the following fraction:

$$\left(\frac{C}{C - D^*} \right)$$

Where:

C = the current market price of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation or, as the case may be, of the offer or invitation or (where appropriate) any relevant date as may be determined by the Company in consultation with the Principal Adviser;

D* = The value of rights attributable to one (1) Share (as defined below).

For the purpose of definition "D*" above, the "value of the rights attributable to one (1) Share" shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

Where:

C = C as in By-Law 17.7(c) hereof;

E* = the subscription price for one (1) additional Share under the terms of such offer or invitation; and

F* = the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

For the purpose of By-Law 17.7(c) hereof, “**Capital Distribution**” shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of new Shares (not falling under By-Law 17.7(b) hereof) or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves of the Company (whether of a capital or income nature and including any share premium account and capital redemption reserve fund).

Any dividend charged or provided for in the audited financial statements of the Company for any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited consolidated statement of comprehensive income of the Company.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue.

- (d) If and whenever the Company makes any allotment to its ordinary shareholders as provided in By-Law 17.7(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 17.7(c)(2) or (3) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of Shares relating to the ESGS Awards shall be adjusted by multiplying the existing number of Shares relating to the ESGS Awards by the following fraction:

$$\left(\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right)$$

Where:

B = B as in By-Law 17.7(b) above;

C = C as in By-Law 17.7(c) above;

G = the aggregate number of issued and fully paid-up Shares on the Entitlement Date;

H* = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights; and

I* = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

- (e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in By-Law 17.7(c)(2) above together with an offer or invitation to acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for Shares as provided in By-Law 17.7(c)(3) above, the number of Shares relating to the ESGS Awards shall be adjusted by multiplying it by the following fraction:

$$\left[\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*) + (J \times K)} \right]$$

Where:

C = C as in By-Law 17.7(c) above;

G = G as in By-Law 17.7(d) above;

H* = H* as in By-Law 17.7(d) above;

I* = I* as in By-Law 17.7(d) above;

J = the aggregate number of Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for Shares by the ordinary shareholders; and

K = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue.

- (f) If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 17.7(b) above and also makes an offer or invitation to acquire or subscribe for Shares to its ordinary shareholders as provided in By-Law 17.7(c)(2) above, together with rights to acquire or subscribe for securities convertible into new Shares or with rights to acquire or subscribe for Shares as provided in By-Law 17.7(c)(3) above, and the Entitlement Date for the purpose of allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of Shares relating to the ESGS Awards shall be adjusted by multiplying it by the following fraction:

$$\left[\frac{(G + H^* + J + B) \times C}{(G \times C) + (H^* \times I^*) + (J \times K)} \right]$$

Where:

B = B as in By-Law 17.7(b) above;

C = C as in By-Law 17.7(c) above;

G = G as in By-Law 17.7(d) above;

H* = H* as in By-Law 17.7(d) above;

I* = I* as in By-Law 17.7(d) above;

J = J as in By-Law 17.7(e) above; and

K = K as in By-Law 17.7(e) above.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue.

For the purpose of By-Laws 17.7(c), (d), (e) and (f), the current market price in relation to one (1) existing Share for any relevant day shall be the weighted average of the last traded prices for the five (5) consecutive Market Days before such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by the relevant authorities.

- 17.8 If an event occurs that is not set out in By-Law 17.7 or if the application of any of the formula to an event results in a manifest error or does not, in the opinion of the LTIP Committee, achieve the desired result of preventing the dilution or enlargement of the Eligible Person's rights, the LTIP Committee may agree to an adjustment subject to the provision of By-Law 17.7 provided that the Eligible Persons shall be notified of the adjustment through an announcement to all Eligible Persons to be made in such manner deemed appropriate by the LTIP Committee.
- 17.9 Notwithstanding the provisions referred to in this By-Law, the LTIP Committee may exercise its discretion to determine whether any adjustments to the number of new Shares be calculated on a different basis or date or should take effect on a different date or that such adjustments be made to the number of Shares notwithstanding that no such adjustment formula has been explicitly set out in this By-Law.
- 17.10 In the event that a fraction of a Share arises from the adjustments pursuant to this By-Law 17, the number of Shares comprised in an ESGS Award shall automatically be rounded down to the nearest whole number.
- 17.11 Upon any adjustment being made pursuant to this By-Law, the LTIP Committee shall, within thirty (30) days of the effective date of the alteration in the capital structure of the Company, notify the ESGS Grantee (or his legal representatives where applicable) in writing informing him of the revised number of Shares thereafter to be vested under the ESGS Awards.
- 17.12 All adjustment to be made pursuant to this By-Law 17 shall be subject to the Company's compliance with all applicable rules and regulations of Bursa Securities and other relevant authorities.
- 18. TAKE-OVER OFFER, SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC**
- 18.1 In the event of:
- (a) a takeover offer being made for the Company through a general offer to acquire the whole of the issued share capital (or such part of the issued share capital not at the time owned by the person making the general offer ("Offeror") or any persons acting in concert with the Offeror); or
 - (b) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of Shares under the provisions of any statutes, rules and/or regulations applicable at that point of time and gives notice to the Company that it intends to exercise such right on a specific date; or
 - (c) the court sanctioning a compromise or arrangement between the Company and its members for the purpose of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 176 of the Act or its amalgamation with any other company or companies under Section 178 of the Act,

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

the LTIP Committee may at its discretion to the extent permitted by law allow the vesting of any ESGS Awards (or any part thereof) by the ESGS Grantee at any time subject to such terms and conditions as may be prescribed notwithstanding that:

- (1) the RSP Vesting Date or PSP Vesting Date (whichever applicable) is not due or has not occurred; and/or
- (2) the other terms and conditions set out in the ESGS Award have not been fulfilled or satisfied.

19. DIVESTMENT FROM THE GROUP, ETC

19.1 In the event that a company within the Group shall be divested from the Group, an ESGS Grantee who is employed by such company shall remain entitled to receive those Shares which have been granted but not vested under the ESGS Awards granted to him/her under the Scheme, but shall not be eligible to any grant of further ESGS Awards under the Scheme unless otherwise as may be determined by the LTIP Committee at its discretion.

19.2 For the purposes of By-Law 19.1, a company shall be deemed to be divested from the Group or disposed of from the Group in the event that the effective interest of the Company in such company is reduced from above 50% to 50% or below so that such company would no longer be a subsidiary of the Company pursuant to Section 5 of the Act or such company ceases to form part of the Group for such reason(s) as determined by the LTIP Committee at its discretion.

20. WINDING UP

All outstanding ESGS Awards shall be automatically terminated and be of no further force and effect in the event that a resolution is passed or a court order is made for the winding up of the Company commencing from the date of such resolution or the date of the court order. In the event a petition is presented in court for the winding-up or liquidation of the Company, all rights to vest the ESGS Award shall automatically be suspended from the date of the presentation of the petition. Conversely, if the petition for winding-up is dismissed by the court, the right to vest the ESGS Award shall accordingly be unsuspended.

PART VI**21. DURATION, TERMINATION AND EXTENSION OF SCHEME**

21.1 The Scheme is conditional upon:

- (a) submission of the final copy of the By-Laws to Bursa Securities;
- (b) approval from Bursa Securities for the listing of and quotation for such number of Shares representing up to ten percent (10%) of the issued and paid-up share capital of the Company on the Main Market of Bursa Securities;
- (c) procurement of shareholders' approval for the Scheme;
- (d) receipt of approval of any other relevant authorities, where applicable; and
- (e) fulfilment of all conditions attached to the above proposals, if any.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

The Scheme shall be in force for a duration of five (5) years from the date the last of the above mentioned conditions have been obtained and/or complied with (“**Effective Date**”) (“**Duration of the Scheme**”). The Date of Expiry shall be at the end of the fifth (5th) year from the Effective Date. However, the duration of the Scheme may be extended by the Board from time to time, upon the recommendation of the LTIP Committee and without the Company’s shareholders approval in general meeting, subject to an aggregate duration of ten (10) years from the Effective Date or such longer duration as may from time to time be permitted by the relevant authorities. In the event the Scheme is extended and implemented in accordance with the terms of these By-Laws, the LTIP Committee shall inform the Executives and the Executive Directors of such extension.

- 21.2 The ESGS Award can only be made during the Duration of the Scheme before the Date of Expiry.
- 21.3 Notwithstanding anything to the contrary, all unvested Shares under the ESGS Awards which are not vested shall forthwith lapse on the Date of Expiry.
- 21.4 The Scheme may be terminated by the Board, upon the recommendation of the LTIP Committee at any time before the Date of Expiry **PROVIDED THAT** the Company makes an announcement immediately to Bursa Securities. The announcement shall include:
- (a) the effective date of termination (“**Termination Date**”);
 - (b) the number of Shares vested under the ESGS; and
 - (c) the reasons and justification for termination.
- 21.5 The Company may implement more than one (1) employee share scheme provided that the aggregate number of Shares available under all the employee share schemes implemented by the Company is not more than ten percent (10%) of its issued and paid-up share capital (excluding treasury shares, if any) at any one time or any other limit in accordance with any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time.
- 21.6 In the event of termination as stipulated in By-Law 21.4 above, the following provisions shall apply:
- (a) No further ESGS Awards shall be made by the LTIP Committee from the Termination Date;
 - (b) All ESGS Awards which have yet to be accepted by Eligible Persons shall automatically lapse on the Termination Date; and
 - (c) All ESGS Awards which have yet to be vested in the Eligible Persons shall automatically lapse on the Termination Date.
- 21.7 For the avoidance of doubt, approval or consent of the shareholders of the Company by way of a resolution in an EGM and written consent of ESGS Grantees who have the ESGS Awards vested in them are not required to effect a termination of the Scheme.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

22. NO COMPENSATION FOR TERMINATION

- 22.1 No Eligible Persons shall bring any claim of whatsoever nature against the Board, the LTIP Committee, the Company and any corporation within the MRCB Group or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his/her right to vest the ESGS Award or his/her ESGS Award ceasing to be valid pursuant to the provisions of these By-Laws, or as may be amended from time to time.
- 22.2 No Eligible Persons shall be entitled to any compensation for damages arising from the termination of any ESGS Award or the Scheme pursuant to the provisions of these By-Laws. Notwithstanding any provisions of these By-Laws:
- (a) this Scheme shall not form part of any contract of employment between the Company or any company within the Group and any Eligible Person of any company of the Group. The rights of any Eligible Person under the terms of his/her office and/or employment with any company within the Group shall not be affected by his/her participation in the Scheme, nor shall such participation or the ESGS Award or consideration for the ESGS Award afford such Eligible Person any additional rights to compensation or damages in consequence of the termination of such office or employment for any reason;
 - (b) this Scheme shall not confer on any person any legal or equitable right or other rights under any other theory of law (other than those constituting the ESGS Award themselves) against the Board, the LTIP Committee, the Company or any company within the Group, directly or indirectly, or give rise to any course of action in law or in equity or under any other theory of law against any company within the Board, the LTIP Committee, the Company or any company within the Group;
 - (c) no ESGS Grantee or his/her personal or legal representative shall bring any claim, action or proceeding against any company of the Group, the LTIP Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension/cancellation of his/her rights of his/her ESGS Award or his/her ESGS Award ceasing to be valid pursuant to the provisions of these By-Laws; and
 - (d) the Board or the LTIP Committee shall in no event be liable to the ESGS Grantee or his/her personal or legal representative or any other person or entity for any third party claim, loss of profits, loss of opportunity, loss of savings or any punitive, incidental or consequential damage, including without limitation lost profits or savings, directly or indirectly arising from the breach or non-performance of these By-Laws or any loss suffered by reason of any change in the price of the Shares or from any other cause whatsoever whether known or unknown, contingent, absolute or otherwise, whether based in contract, tort, equity, indemnity, breach of warranty or otherwise and whether pursuant to common law, statute, equity or otherwise, even if any company of the Group, the Board, the Company or the LTIP Committee has been advised of the possibility of such damages and even if the limited remedy provided for is found to fail of essential purpose.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)**23. MODIFICATION, VARIATION AND/OR AMENDMENT TO THE SCHEME**

- 23.1 Subject to the compliance with the Listing Requirements and any other relevant authorities, the LTIP Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments to or deletions of these By-Laws as it shall at its discretion think fit. The approval of the shareholders of the Company in general meeting shall not be required in respect of additions or amendments to, or modifications and/or deletions of these By-Laws **PROVIDED THAT** no additions, modifications or amendments to or deletions of these By-Laws shall be made which will:
- (a) prejudice any rights which have accrued to any ESGS Grantee without the prior consent or sanction of that ESGS Grantee; or
 - (b) increase the number of Shares available under the Scheme beyond the maximum imposed by By-Law 4.1; or
 - (c) alter any matter which are required to be contained in these By-Laws by virtue of the Listing Requirements to the material advantage of the Eligible Person and/or ESGS Grantee without the prior approval of shareholders obtained at a general meeting,
- unless allowed otherwise by the provisions of the Listing Requirements.
- 23.2 For the purpose of complying with the provisions of the Listing Requirements, By-Laws 4, 5, 6, 7.4, 8.1, 10, 11, 12, 17, 20 and 21.1 shall not be amended or altered in any way whatsoever for the material advantage of Eligible Persons without the prior approval of shareholders obtained at a general meeting and subject to any applicable laws.
- 23.3 Upon amending and for modifying all or any of the provisions of the Scheme, the Company shall within five (5) Market Days after the effective date of the amendments, cause to be submitted to Bursa Securities the amended By-Laws and a confirmation letter that the said amendment and/or modification complies and does not contravene any of the provisions of the Listing Requirements in relation to the Scheme.

PART VII**24. ADMINISTRATION AND TRUST**

- 24.1 The Scheme shall be administered by the LTIP Committee. The LTIP Committee shall, subject to these By-Laws, administer the Scheme in such manner as it shall think fit and with such powers and duties as are conferred upon it by the Board including but not limited to the powers to –
- (a) subject to the provisions of the Scheme, construe and interpret the Scheme, to define the terms therein and to recommend to the Board to establish, amend and revoke rules and regulations relating to the Scheme and its administration. The LTIP Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an ESGS Award in a manner and to the extent it shall deem necessary to implement, expedite and make the Scheme fully effective;
 - (b) determine all questions of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company; and
 - (c) meet together for the despatch of business, adjourn or otherwise regulate its meetings as it thinks fit.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

- The decision of the LTIP Committee shall be final and binding. The Board shall have power at any time and from time to time to approve, rescind and/or revoke the appointment of any person in the LTIP Committee and/or appoint additional or replace member of the LTIP Committee as it shall deem fit.
- 24.2 In implementing the Scheme, the LTIP Committee may in its discretion, after taking into consideration, amongst others, factors such as prevailing market price of the Shares, funding considerations and dilutive effects on the Company's capital base, future returns and cash requirements of the Group, decide that the Shares to be awarded under the ESGS shall be satisfied by any of the following methods:
- (a) Issuance of new Shares;
 - (b) Acquisition and transfer of existing Shares;
 - (c) Any other methods as may be permitted by the Act, as amended from time to time and any re-enactment thereof; or
 - (d) A combination of any of the above.
- 24.3 For the purposes of facilitating the implementation and administration of the Scheme, the Company and/or the LTIP Committee may (but shall not be obliged to) establish a trust to be administered by trustee(s) to be appointed by the Company for the Scheme from time to time ("Trustee"), if required, for the purposes of subscribing for new Shares and/or acquiring existing Shares from the Main Market of Bursa Securities and transferring them to ESGS Grantees at such times as the LTIP Committee shall direct ("Trust"). To enable the Trustee to subscribe for new Shares and/or acquire existing Shares for the purpose of the Scheme and to pay expenses in relation to the administration of the Trust, the Trustee may, to the extent permitted by law, be entitled from time to time to accept funding and/or assistance, financial or otherwise, from the Group and/or any third party to be paid into the bank account(s) to be established by the Trustee for the purpose of the Trust as the Trustee may direct for any such payment.
- 24.4 The Trustee, if and when the Trust is established, shall administer the Trust in accordance with the terms of the trust deed to be entered into between the Company and the trustee constituting the trust ("**Trust Deed**"). For the purpose of administering the Trust, the Trustee shall do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements or make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Trust, as the LTIP Committee may in its sole discretion direct for the implementation and administration of the Trust.
- 24.5 The Company shall have power from time to time, at any time, to appoint or rescind/terminate the appointment of any Trustee as it deems fit in accordance with the provisions of the Trust Deed. The Company shall have the power from time to time, at any time, to negotiate with the Trustee to amend the provisions of the Trust Deed.
- 24.6 Without limiting the generality of By-Law 24.1, the LTIP Committee may, for the purpose of administering the Scheme, do all acts and things, rectify any errors in the ESGS Award subject to By-Law 7.5, execute all documents and delegate any of its powers and duties relating to the Scheme as it may at its discretion consider to be necessary or desirable for giving effect to the Scheme.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

25. DISPUTES

- 25.1 In case any dispute or difference shall arise between the LTIP Committee and an Eligible Person or an ESGS Grantee or in the event of an appeal by an Eligible Person, as the case may be, as to any matter of any nature arising hereunder, such dispute or appeal must have been referred to and received by the LTIP Committee during the Duration of the Scheme. The LTIP Committee shall then determine such dispute or difference by a written decision (without the obligation to give any reason therefor) given to the Eligible Person and/or ESGS Grantee, as the case may be, PROVIDED THAT where the dispute is raised by a member of the LTIP Committee, the said member shall abstain from voting in respect of the decision of the LTIP Committee in that instance. In the event the Eligible Person or ESGS Grantee, as the case may be, shall dispute the same by written notice to the LTIP Committee within fourteen (14) days of the receipt of the written decision, then such dispute or difference shall be referred to the Board, whose decision shall be final and binding in all respects, provided that any Director of the Company who is also in the LTIP Committee shall abstain from voting and no person shall be entitled to dispute any decision or certification which is stated to be final and binding under these By-Laws. Under no circumstances shall a dispute or difference be brought to a court of law. Notwithstanding anything herein to the contrary, any costs and expenses incurred in relation to any dispute or difference or appeal brought by any party to the LTIP Committee shall be borne by such party.
- 25.2 Notwithstanding the foregoing provisions of By-Law 25.1 above, matters concerning adjustments made pursuant to By-Law 17 shall be referred to external auditors or the Principal Adviser selected by the Directors, who shall act as experts and not as arbitrators and whose decision shall be final and binding in all respects.

26. COSTS AND EXPENSES

All fees, costs and expenses incurred in relation to the Scheme including but not limited to the fees, costs and expenses relating to the issue and allotment and/or transfer of the Shares pursuant to the ESGS Award, shall be borne by the Company.

27. ARTICLES OF ASSOCIATION

Notwithstanding the terms and conditions contained herein, in the event of a conflict between any of the provisions of these By-Laws and the Articles of Association of the Company, the Articles of Association of the Company shall at all times prevail.

28. NOTICE

- 28.1 Subject to By-Law 30.5, any notice or request which the Company is required to give, or may desire to give, to any Eligible Person or the ESGS Grantee pursuant to the Scheme shall be in writing and shall be deemed to be sufficiently given:
- (a) if it is sent by ordinary post by the Company to the Eligible Person or the ESGS Grantee at the last address known to the Company as being his/her address, such notice or request shall be deemed to have been received three (3) Market Days after posting;
 - (b) if it is delivered by hand to the Eligible Person or the ESGS Grantee, such notice or request shall be deemed to have been received on the date of delivery; and

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

- (c) if it is sent by electronic media, including but not limited to electronic mail, to the Eligible Person or the ESGS Grantee, such notice or request shall be deemed to have been received by the recipient on the Market Day immediately following the day on which the electronic mail is sent or (in the case of communication by other digital means) on the Market Day immediately following the day on which such communication is effected.

Any change of address of the Eligible Person or the ESGS Grantee shall be communicated in writing to the Company.

- 28.2 Where any notice which the Company or the LTIP Committee is required to give, or may desire to give, in relation to matters which may affect all the Eligible Persons or all the ESGS Grantee (as the case may be) pursuant to the Scheme, the Company or the LTIP Committee may give such notice through an announcement to all employees of the Group to be made in such manner deemed appropriate by the LTIP Committee (including via electronic media). Upon the making of such an announcement, the notice to be made under By-Law 28.1 shall be deemed to be sufficiently given, served or made to all affected Eligible Persons or ESGS Grantee, as the case may be.

29. SEVERABILITY

Any term, condition, stipulation or provision in these By-Laws which is or becomes illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation or provision herein contained.

30. GOVERNING LAW AND JURISDICTION

- 30.1 These By-Laws shall be governed and construed in accordance with the laws of Malaysia and the Eligible Person and/or ESGS Grantee shall, subject to the provisions of By-Law 25, submit to the exclusive jurisdiction of the courts of Malaysia in all matters connected with the obligations and liabilities of the parties hereto under or arising out of these By-Laws.
- 30.2 Any proceeding or action shall subject to the provisions of By-Law 25, be instituted or taken in Malaysia and the Eligible Person and/or ESGS Grantee irrevocably and unconditionally waives any objection on the ground of venue or forum non-convenience or any other grounds.
- 30.3 Any notice/process required to be given to or served upon the Eligible Person by the Board or the LTIP Committee shall be given or shall be deemed to be sufficiently given, served or made if it is given served or made by hand, by facsimile transmission and/or by letter sent via ordinary post addressed to the Eligible Person at his place of employment, at his last facsimile transmission number known to the Company, or to his last-known address. Any notice/process served by hand, by facsimile, by post as aforesaid shall be deemed to have been received at the time when such notice (if by hand) is received and duly acknowledged, (if by facsimile transmission) is transmitted with a confirmed log print-out for the transmission indicating the date, time and transmission of all pages, and (if by post) on the day the letter containing the same is posted and in proving such service by post, it shall be sufficient to prove that the letter containing the notice or documents was properly addressed, stamped and posted.
- 30.4 Any notice/process required to be given to or served upon the Board or the LTIP Committee by an Eligible Person shall be given, served or made in writing and delivered by hand or by registered post to the registered office of the Company (or such other office or place which the LTIP Committee may have stipulated for this purpose). Any notice/process served by hand, or post as aforesaid shall be deemed to have been received at the time when such notice (if by hand) is received and duly acknowledged and (if by post) three (3) Market Days after postage.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

- 30.5 Any ESGS Award to be made and acceptances thereof, and normal correspondence (other than notice/process) under the Scheme (“**Normal Correspondence**”) to be given to or served upon the Board or the LTIP Committee, Eligible Person, as the case may be, shall be given, served or made in writing and delivered by electronic mail to such e-mail address specified by the Company (if to be given to or served upon the Board of the LTIP Committee) or to such e-mail address of the employee provided by the Company (if to be given to or served upon the Eligible Person) or such communication by other digital means as may be prescribed by the Board and/or LTIP Committee, and shall be deemed to have been received by the recipient (in the case of electronic mail) on the Market Day immediately following the day on which the electronic mail is sent or (in the case of communication by other digital means) on the Market Day immediately following the day on which such communication is effected.
- 30.6 In order to facilitate the offer of any ESGS Award (and/or the benefit thereof) under this Scheme, the LTIP Committee may provide for such special terms to the Eligible Persons who are employed by any corporation in the Group in a particular jurisdiction, or who are nationals of any particular jurisdiction, that is outside Malaysia, as the LTIP Committee may consider necessary or appropriate for the purposes of complying with differences in local law, tax, policy or custom of that jurisdiction. The LTIP Committee may further approve such supplements to or amendments, restatements or alternative versions of the Scheme as it may consider necessary or appropriate for such purposes without affecting the terms of the Scheme as in effect for any other purpose, and the secretary of the Company or any other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as the Scheme. No such special terms, supplements, amendments or restatements, however, shall include any provisions that are inconsistent with the terms of this Scheme, as then in effect unless this Scheme has been amended to eliminate such inconsistency. Notwithstanding the above, any ESGS Award offered to such Eligible Person pursuant to the Scheme shall be valid strictly in Malaysia only unless specifically mentioned otherwise by the LTIP Committee in the ESGS Award.
- 30.7 No action has been or will be taken by the Company to make the ESGS Award valid in any country or jurisdiction other than Malaysia or to ensure compliance of the ESGS Award with all applicable laws and regulations in any other country or jurisdiction other than Malaysia. No action has or will be taken also by the Company to ensure compliance by the Eligible Person to whom the ESGS Award is offered, with all applicable laws and regulations in such other country or jurisdiction in which the Eligible Person accepts the ESGS Award or will be vested with Shares pursuant to the ESGS Award.
- 30.8 Any Eligible Person to whom the ESGS Award is offered is required to ensure that they comply with all applicable laws and regulations in each country or jurisdiction in or from which they accept the ESGS Award or be vested with Shares pursuant to the ESGS Award. By their acceptance of the ESGS Award, each ESGS Grantee has represented, warranted and agreed that they have and will continue to observe all applicable laws and regulations in the jurisdiction in which they accept the ESGS Award or be vested with Shares pursuant to the ESGS Award.

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

Part A of this Circular has been seen and approved by your Board who collectively and individually accept full responsibility for the accuracy and completeness of the information in Part A of this Circular. Your Board 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.

2. CONSENT AND CONFLICT OF INTERESTS**2.1 Consent**

RHB Investment Bank, being our Principal Adviser for the Proposed LTIP, has given and has not subsequently withdrawn its written consent to include its name and all references thereto in the form and context in which they appear in Part A of this Circular.

2.2 Conflict of interest

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

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

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 Bank. Nevertheless, he does not hold any directorship in either RHB Bank or RHB Investment Bank. In view of his role as a non-executive director, he is also not involved in the day-to-day operations of RHB Islamic Bank Berhad and RHB Insurance Berhad.

As at LPD, the RHB Banking Group have extended various credit facilities amounting to approximately RM1,590.00 million (with an amount of approximately RM738.58 million outstanding) to our Group. Such credit facilities represent approximately 0.69% of the audited total assets of RHB Banking Group as at 31 December 2015 of RM230,717.67 million.

Notwithstanding the aforesaid, RHB Investment Bank confirms that no conflict of interest situation exists or is likely to exist by virtue of RHB Investment Bank's appointment as the Principal Adviser for the Proposed LTIP on the basis that:-

- (a) the above credit facilities are provided by RHB Banking Group on an arms' length basis and in the ordinary course of its business;
- (b) the corporate finance division of RHB Investment Bank is required under its investment banking license to comply with strict policies and guidelines issued by the Securities Commission Malaysia, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, among others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations. Further, the appointment of RHB Investment Bank as Principal Adviser in relation to the Proposed LTIP is in the ordinary course of its business as a licensed investment bank;
- (c) the conduct of RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, the Capital Markets and Services Act, 2007 and RHB Banking Group's own internal controls and checks; and

FURTHER INFORMATION (Cont'd)

- (d) RHB Investment Bank does not receive or derive any financial interest or benefit from the Proposed LTIP, save for the professional fees as the Principal Adviser for the Proposed LTIP.

3. MATERIAL LITIGATION

As at LPD, save as disclosed below, our Group is not engaged in any material litigation, claim and/ or arbitration either as plaintiff or defendant, which may materially and adversely affect our financial position or business, and your Board is not aware of any proceeding, pending or threatened, or of any facts likely to give rise to any proceeding which may materially and adversely affect the financial position or business of our Group:-

- (i) **Kuala Lumpur High Court, Civil Suit No. D2-22-648-2003**
MRCB Property Development Sdn Bhd v Suedy Suwendy And Six Others (collectively, the "Defendants")

MRCB Property Development Sdn Bhd ("MPD"), our wholly-owned subsidiary, had entered into a Share Sale Agreement dated 2 January 2001 ("SSA") with the Defendants whereby MPD had agreed to purchase 24,000,006 ordinary shares of RM1.00 each in Taman Ratu Sdn. Bhd., representing 100% of the issued and paid-up share capital of the company, for a total purchase consideration not exceeding RM15,417,000.00.

MPD alleged that the conditions precedent to the SSA had not been fulfilled and demanded the refund of deposit of RM6,000,000.00, together with interest and costs. Summary judgment was entered against the 1st, 3rd, 6th and 7th Defendants on 18 November 2005. The appeal of the Defendants against summary judgment was allowed on 16 August 2006. On 16 March 2008, a judgment in default was entered against the Defendants. The Defendants filed an appeal but the appeal was dismissed by the High Court on 10 August 2009. The Defendants appealed to the Court of Appeal and the appeal was allowed on 12 October 2011. As at LPD, the Court has yet to fix a date for the case management.

The Board is of the opinion that MPD has reasonable grounds of success in its claim.

- (ii) **Kuala Lumpur High Court, Civil Suit No. 22-NCC-629-10/2013**
MRCB Engineering Sdn Bhd ("MESB") v Pacific Insurance Bhd ("PIB")

MESB, a subsidiary of our Company, filed a writ of summons on 29 October 2013 against PIB claiming losses of RM14,433,224.14 arising from the rejection of PIB in respect of MESB's insurance claims for losses suffered due to a fire at Lot 348, Kuala Lumpur Sentral, Kuala Lumpur, together with exemplary and aggravated damages.

The High Court had on 26 June 2015 allowed MESB's claim with costs of RM45,000.00. PIB has, following settlement negotiations between the parties, paid the agreed settlement sum of RM10,100,000.00 to MESB on 25 March 2016.

- (iii) **In the matter of adjudication between MRCB and Jabatan Kerja Raya Malaysia ("JKR")**

MRCB brought an adjudication claim on 15 August 2014 under the Construction Industry Payment & Adjudication Act 2010 against JKR for RM22,273,167.17, being the disputed amount.

The parties entered into a construction contract on 10 August 2004 for the design, construction and maintenance of Upgrading Federal Route 5 from Ipoh to Lumut.

The certificate of practical completion was issued by JKR on 28 February 2008 upon the completion of the upgrading works performed by MRCB.

FURTHER INFORMATION (Cont'd)

JKR however rejected the variations and loss and expense claim portion of MRCB without justifications. MRCB requested JKR to provide justification for the grounds of rejection but to no avail.

The adjudicator had on 20 November 2014 decided against JKR and instructed them to pay MRCB the adjudicated amount of RM9,252,363.17. The adjudicator further held that JKR shall bear the full costs of the adjudication amounting to RM102,250.00.

MRCB had on 15 May 2015 issued a notice of arbitration claiming the balance of approximately RM21.00 million from JKR under the construction contract, being payment for variation works, losses and expenses for work done under the construction contract.

MRCB had on 3 September 2015 filed the Points of Claim whilst JKR had on 30 October 2015 filed its Points of Defence. MRCB had on 4 December 2015 filed the Points of Reply. The parties had subsequently filed the Common Bundle of Documents, Core Bundle of Documents, their respective Witness Statements and Expert Reports. Subsequently, MRCB had on 5 September 2016 filed its rebuttal to the witness statements. The Arbitrator has further directed both parties' expert to produce a joint statement on or before 31 December 2016. The next arbitration hearing dates are fixed on 20 February 2017 to 24 February 2017 and 2 May 2017 to 5 May 2017.

The Board is of the opinion that MRCB has reasonable grounds of success in its claim against JKR.

- (iv) (a) **Kuala Lumpur High Court, Civil Suit No. 22NCVC-17-01/2015**
59Inc Sdn Bhd ("59Inc") v Penghuni-penghuni tanah yang dipegang di bawah H.S(D) 118118, PT9311, H.S(D) 118119, PT9312 and H.S(D) 118120, PT 9313, all in Kuala Lumpur ("Suit 17")
- (b) **Kuala Lumpur High Court, Civil Suit No. 22NCVC-73-02/2015**
Siti Aariah bte Yunus & 95 yang lain ("Plaintiffs Suit 73") v S&S Quest Resource Sdn Bhd ("QRSB"), Pengarah, Pejabat Tanah dan Galian Wilayah Persekutuan, Kuala Lumpur ("PTG") and 59Inc ("Suit 73")

In respect of Suit 17:

59Inc, a wholly-owned subsidiary of MRCB, had on 9 January 2015 filed a claim against a group of squatters who occupied all those parcels of land held under H.S(D) 118118, PT9311, H.S(D) 118119, PT9312 and H.S(D) 118120, PT 9313, collectively in Daerah Kuala Lumpur, Mukim Setapak, Wilayah Persekutuan Kuala Lumpur ("Subject Lands") (collectively, the "Defendants Suit 17") to vacate those parcels of land illegally occupied by the Defendants Suit 17.

The Defendants Suit 17 had on 19 March 2015 filed their defences.

In respect of Suit 73:

The Plaintiffs Suit 73 had on 9 February 2015 brought an action against QRSB, PTG and 59Inc, a subsidiary of MRCB, (collectively, the "Defendants Suit 73") claiming *inter alia* that they are the rightful owners of the Subject Lands and the Subject Lands were not properly alienated to 59Inc.

59Inc had on 30 March 2015 filed its defence and counter claim against the Plaintiffs Suit 73.

59Inc had on 3 April 2015 applied to the Court to consolidate Suit 17 and Suit 73 on the basis that the cause of action, the reliefs sought and the subject matter of both suits are the same. The Court had on 10 April 2015 granted the order to consolidate the Suit 17 and Suit 73.

FURTHER INFORMATION (Cont'd)

59Inc and PTG filed the application to the Court to strike out the claim of the Plaintiffs Suit 73 on the basis that the Plaintiffs Suit 73 have no *locus standi* to institute the action and that the Plaintiffs Suit 73 have no rights or interests with regards to the Subject Lands. Thus, the claims of the Plaintiffs Suit 73 are frivolous and vexatious.

The Court had on 19 June 2015 dismissed the striking out application.

Parties had agreed during a case management on 6 August 2015 for both the suits to be determined based on a question of law under Order 14A of Rules of Court 2012 (“**Order 14A Proceedings**”) as to whether the Defendants Suit 17 and the Plaintiffs Suits 73 have any rights, interest and/ or proprietary rights over the Subject Lands.

The Court had on 6 November 2015 dismissed the application for the Order 14A Proceedings with no order as to costs and further fixed the matter for trial on 7 March 2016 to 11 March 2016.

59Inc filed an appeal to the Court of Appeal against the decision. The appeal was heard on 16 February 2016, where the Court of Appeal has rephrased the points of law and reverted to the High Court to hear the same where it was decided in favour of 59Inc.

The Plaintiffs Suit 73 appealed against the decision of the High Court and applied for a stay of execution. The Court had on 19 July 2016 dismissed the Plaintiffs Suit 73’s application for stay of execution.

During case management on 2 September 2016, the Court directed the parties to file their Submissions, Common Core Bundles and Common Chronology of Facts before the next case management which has been fixed on 4 January 2017.

The Court has instructed the Plaintiffs Suit 73 to file the Record of Appeal and the hearing for the appeal has been fixed on 18 January 2017.

The case management on assessment of damages and counter claim dated 5 October 2016 is fixed on 22 November 2016.

The Board is of the opinion that 59Inc has reasonable grounds of success in its claim against the squatters.

(v) **Kuala Lumpur High Court, Civil Suit No: R2-25-307-11/2015**

Onesentral Park Sdn. Bhd. (“OSP”) & Anor v Government of Malaysia (“GOM”) & Pejabat Tanah Dan Galian (“PTG”)

PTG has on 2 September 2015 issued a notice of acquisition to OSP, a wholly-owned subsidiary of MRCB, to acquire a parcel of land held under H.S.(D) 119816, No. PT75, Section 63 (“**OSP Land**”), on which the “Grid Project” will be undertaken by OSP. Based on the net book value of the OSP Land as at 31 December 2015, the value of such land is RM65,702,000.00. OSP has initiated a leave application to apply for *inter alia* judicial review and to quash the decision of GOM and PTG in respect of the Form D dated 2 September 2015 issued under the Land Acquisition Act 1960 as published in the Government Gazette No. 29230 dated 2 September 2015 is null and void and has no legal effect in relation to the OSP Land as the title number referred to in the Gazette is not the same as the actual title number issued to OSP.

OSP has also applied for a stay of the land acquisition proceedings and all other actions relating thereto by the GOM and PTG in respect of the OSP Land pending determination of the judicial review application.

FURTHER INFORMATION (Cont'd)

The hearing for the application for leave to apply for judicial review was heard on 16 February 2016, where the judge has granted leave to OSP to proceed with the stay and judicial review application. In the interim pending inter parties hearing of the stay application and the judicial review application, an interim stay against the Land Acquisition Proceedings was granted by the High Court.

The High Court has given directions for parties to comply before the next case management fixed on 29 February 2016.

On 26 February 2016, Mass Rapid Transit Corp Sdn. Bhd., the project and asset owner of Mass Rapid Transit ("MRT"), has applied to intervene as a party opposing the judicial review application.

The Court has fixed 6 June 2016 for case management to enable both parties to file their respective submissions. Hearing of the judicial review application will be fixed after the disposal of the intervention application. Presently, the temporary stay of Land Acquisition Proceedings remain until the stay application is fully heard and decided.

The Court had on 26 August 2016 fixed the matter for hearing on 25 October 2016 pending negotiations for settlement between the parties. On 25 October 2016, the Court allowed MRT's application to intervene as a party opposing the judicial review and be added as the third respondent, and fixed a further case management on 15 November 2016 pending settlement between the parties.

The Board is of the opinion that OSP has reasonable grounds of success in its claim.

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

4.1 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	101,490

4.2 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)
Performance guarantees extended to third parties	257,616

FURTHER INFORMATION (Cont'd)

5. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

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

- (i) 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 Sdn Bhd (“KLSB”) 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 KLSB and KSSB (“Shareholders’ Agreement”) in relation to, *inter alia*, the proposed subscription of new ordinary shares of RM1.00 each representing a 70% equity interest in KSSB, a special purpose vehicle incorporated to undertake Project MX-1, for a subscription payment of approximately RM816.6 million.

The proposal was approved by our Company’s shareholders at the EGM held on 12 February 2015.

On 8 August 2016, our Company had announced that it had entered into a supplemental shareholders’ agreement with KLSB and KSSB to vary certain terms of the Shareholders’ Agreement.

The proposal is expected to be completed by the second (2nd) quarter of 2017.

- (ii) Management contract between Kwasa Utama Sdn Bhd (formerly known as Kwasa Development (1) Sdn Bhd) (“KUSB”) and our Company for the appointment of our Company 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 (“C8 Construction”).

On 28 October 2015, our Company had announced that it had entered into a management contract with KUSB whereby KUSB had appointed our Company as the Management Contractor for the C8 Construction.

The C8 Construction was approved by our Company’s shareholders at the EGM held on 21 December 2015 and the Management Contract had become unconditional on the same date.

The C8 Construction is expected to be completed by (a) 31 December 2024, or (b) the date of completion of all the contracts between KUSB and our Company (for which the first notice to proceed by KUSB were issued on or before 31 December 2024), whichever is later.

- (iii) 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 MRCB Land Sdn Bhd, 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.

On 8 January 2016, our Company had announced that the Government had, vide its letter to RJSB dated 28 December 2015, agreed to RJSB’s request for an extension of time of one (1) month from 28 December 2015 until 28 January 2016 to fulfil the conditions precedent as set out in the Privatisation Agreement.

FURTHER INFORMATION (Cont'd)

Subsequently on 26 January 2016, our Company had announced that the Government had, vide its letter to RJSB dated 22 January 2016, agreed to RJSB's request for a further extension of time until 10 February 2016 to fulfil the conditions precedent as set out in the Privatisation Agreement.

On 2 February 2016, our Company had announced that RJSB had on 29 January 2016 entered into a supplemental agreement to the Privatisation Agreement with the Government and Hartanah to vary certain clauses in the Privatisation Agreement as well as modify certain deliverables in relation to the fulfillment of conditions precedent and construction works programme as set out in the Privatisation Agreement.

The Privatisation Agreement had become unconditional on 4 February 2016 and is expected to be completed by the end of 2020.

- (iv) On 16 November 2015, our Company had announced the Private Placement. The first tranche of the Private Placement comprising 100,000,000 Placement Shares had been completed on 25 April 2016, following the listing of and quotation for 100,000,000 Placement Shares on the Main Market of Bursa Securities.

On 18 May 2016, our Company had announced that Bursa Securities had vide its letter dated 17 May 2016, which was received on 18 May 2016, approved an extension of time until 1 December 2016 for our Company to complete the implementation of the Private Placement.

The second tranche of the Private Placement comprising 193,625,000 Placement Shares had been completed on 22 August 2016, following the listing of and quotation for 193,625,000 Placement Shares on the Main Market of Bursa Securities.

The remaining Placement Shares will be issued in subsequent tranches.

- (v) Proposed disposal by 348 Sentral Sdn Bhd, a wholly-owned subsidiary of our Company ("348 Sentral"), of Menara Shell (as defined herein) to Maybank Trustees Berhad ("MTB"), acting solely in the capacity as trustee for MRCB-Quill REIT ("MQ REIT") and proposed subscription by MRCB of no less than RM110 million but up to RM152 million in value of new units in MQ REIT ("Units") pursuant to the proposed placement exercise to be undertaken by MQ REIT.

On 3 December 2015, our Company had announced that 348 Sentral had on 3 December 2015 entered into a head of agreements with MTB for the proposed disposal of a 33-storey office tower known as "Menara Shell" together with a 5-storey podium and 4-storey basement car park bearing the postal address of No. 211, Jalan Tun Sambanthau, 50470 Kuala Lumpur, Wilayah Persekutuan, Malaysia and erected on part of the freehold land held under the master title of Geran 40094, Lot 348, Section 72, Town and District of Kuala Lumpur, Federal Territory of Kuala Lumpur, Malaysia, for a total cash consideration of RM640 million ("**Proposed Disposal**").

On 3 March 2016, our Company had announced that the cut-off date for the execution of the sale and purchase agreement in relation to the Proposed Disposal had been extended to 15 April 2016. Subsequently, the cut-off date was further extended to 30 May 2016 and then to 14 July 2016.

On 30 June 2016, our Company had entered into a conditional sale and purchase agreement with MTB for the Proposed Disposal for a total cash consideration of RM640 million.

Concurrently, it was also announced that our Company had undertaken to subscribe for no less than RM110 million but up to RM152 million in value of new Units pursuant to MQ REIT's proposed placement of up to 406,666,667 new Units at an issue price to be determined by way of bookbuilding ("**Proposed Subscription**").

FURTHER INFORMATION (Cont'd)

The Proposed Disposal and Proposed Subscription are expected to be completed by the fourth (4th) quarter of 2016.

- (vi) Project delivery partner (“PDP”) agreement between MRCB Builders Sdn Bhd, a wholly-owned subsidiary of our Company (“MRCB Builders”) and KLSB (“PDP Agreement”).

On 26 May 2016, our Company had announced that MRCB Builders had entered into the PDP Agreement with KLSB whereby KLSB has appointed MRCB Builders as a PDP in connection with the construction and completion of common infrastructure for the Majlis Bandaraya Petaling Jaya area at the proposed Kwasa Damansara Township (“Project”) located on a piece of land (formerly known as Rubber Research Institute Malaysia land) in Sungai Buloh measuring approximately 2,330.42 acres, for a provisional fee of approximately RM112.28 million (excluding goods and services tax and reimbursables) (“Proposed PDP Contract”).

The Proposed PDP Contract is expected to become unconditional by early December 2016, whilst the Project is expected to complete by the end of year 2023.

6. DOCUMENTS FOR INSPECTION

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

- (i) our Company’s Memorandum and Articles of Association;
- (ii) our audited consolidated financial statements for the past two (2) FYE 31 December 2014 and 2015 as well as our latest unaudited quarterly results for the six (6) month financial period ended 30 June 2016;
- (iii) letter of consent from RHB Investment Bank referred to in Section 2 above;
- (iv) the relevant cause papers for the material litigation referred to in Section 3 above; and
- (v) draft By-Laws for the Proposed LTIP as set out in Appendix A(I) of Part A of this Circular.

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PART B

PROPOSED DISPOSAL AND PROPOSED SUBSCRIPTION

DEFINITIONS

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

348 Sentral or Vendor	:	348 Sentral Sdn Bhd (749946-P), a wholly-owned subsidiary of MRCB
Act	:	Companies Act, 1965
Astramina Advisory or Financial Advisor	:	Astramina Advisory Sdn Bhd (810705-K)
Board	:	Board of Directors of MRCB
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CBRE WTW or Independent Property Valuer	:	C H Williams Talhar & Wong Sdn Bhd (18149-U), an independent valuer appointed by 348 Sentral and MTB
CIMB Investment Bank or Existing Chargee	:	CIMB Investment Bank Berhad (18417-M)
Circular	:	This circular dated 15 November 2016
Completion Date	:	A date falling no later than one (1) month from the Unconditional Date in relation to the Proposed Disposal
Disposal Consideration	:	The total disposal consideration of RM640,000,000 in relation to the Proposed Disposal to be satisfied entirely in cash
EGM	:	Extraordinary general meeting
EPF	:	Employees Provident Fund Board
EPS	:	Earnings per share
Extended Completion Date	:	45 days from the Completion Date or such later period or periods thereafter in relation to the Proposed Disposal
FPE	:	Financial period ended/ ending, as the case may be
FYE	:	Financial year ended/ ending, as the case may be
GST	:	Goods and services tax
HOA	:	The heads of agreement dated 3 December 2015 entered into between 348 Sentral and MTB for the Proposed Disposal
LPD	:	20 October 2016, being the latest practicable date prior to the printing of this Circular
MQM	:	MRCB Quill Management Sdn Bhd (737252-X), acting as manager of MQ REIT
MQ REIT	:	MRCB-Quill REIT, a REIT
MRCB or Company	:	Malaysian Resources Corporation Berhad (7994-D)
MRCB Group or Group	:	Collectively, MRCB and its subsidiaries
MRCB Share(s)	:	Ordinary share(s) of RM1.00 each in MRCB

DEFINITIONS (Cont'd)

MTB or Purchaser	:	Maybank Trustees Berhad (5004-P), acting solely in the capacity as trustee for MQ REIT
NA	:	Net assets
NAV	:	Net asset value
NLA	:	Net lettable area
PAT	:	Profit after tax
PATANCI	:	Profit after tax and non-controlling interest
Placement Units	:	All or part of the 406,666,667 new Units to be issued by MQ REIT pursuant to the Proposed Placement
Property or Menara Shell	:	Comprises a 33-storey office tower known as “Menara Shell”, together with a five (5)-storey podium and four (4)-storey basement car park, including all the plant and equipment, fixtures and fittings located in or on or which otherwise relate to or are affixed to the development as well as all mechanical and electrical systems and services, but excludes the following:- (i) a 21-storey service apartment known as “Ascott Sentral Kuala Lumpur”; (ii) the common areas as defined in the SPA; and (iii) the fixtures and fittings belonging to existing tenants and third parties including those with whom the existing tenants have entered into a hire purchase and/ or leasing arrangement in respect of such fittings and fixtures
Proposals	:	The Proposed Disposal and the Proposed Subscription, collectively
Proposed Disposal	:	Proposed disposal by 348 Sentral of the Property to MTB for the Disposal Consideration upon the terms and subject to the conditions set out in the SPA
Proposed Placement	:	Proposed placement of up to 406,666,667 new Units to be undertaken by MQ REIT at an issue price to be determined by way of bookbuilding
Proposed Subscription	:	Proposed subscription by MRCB of no less than RM110 million but up to RM152 million in value of new Units in MQ REIT pursuant to the Proposed Placement to be undertaken by MQ REIT
REIT	:	Real estate investment trust
REIT Guidelines	:	Guidelines on Real Estate Investment Trusts issued by the SC
RHB Investment Bank	:	RHB Investment Bank Berhad (19663-P)
SC	:	Securities Commission Malaysia
sf	:	Square feet
Shell	:	Shell People Services Asia Sdn Bhd (364800-W)
SPA	:	The conditional sale and purchase agreement dated 30 June 2016 entered into between 348 Sentral and MTB for the Proposed Disposal

DEFINITIONS (Cont'd)

Term Loan Facility	:	A syndicated term loan facility of up to RM460 million granted by CIMB Bank Berhad, Hong Leong Bank Berhad and RHB Bank Berhad to 348 Sentral
Unconditional Date	:	The day upon which the last of the conditions precedent as set out in Section 2.7.3 of Part B of this Circular (which have not been waived in writing) have been fulfilled in accordance with the provisions of the SPA
Unit(s)	:	Unit(s) in MQ REIT
Valuation Report	:	The valuation report prepared by the Independent Property Valuer dated 20 June 2016 to appraise the market value of the Property

Currency

RM and sen	:	Ringgit Malaysia and sen, the legal tender of Malaysia
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References to “our Company”, “we”, “us” and “ourselves” in Part B of 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 Part B of 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 Part B of 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 Part B of 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 our Company, such as in our quarterly results or annual reports, is due to rounding.

Certain statements in Part B of 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 Part B of this Circular should not be regarded as a representation or warranty that MRCB’s plans and objectives will be achieved.

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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
Malaysia

15 November 2016

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*)
Jamaludin Zakaria (*Independent Director*)
Rohaya Mohammad Yusof (*Non-Independent Non-Executive Director*)
Chuah Mei Lin (*Independent Director*)
Hasman Yusri Yusoff (*Independent Director*)

To: Our Shareholders

Dear Sir/Madam,

- (I) PROPOSED DISPOSAL; AND**
 - (II) PROPOSED SUBSCRIPTION**
-

1. INTRODUCTION

On 3 December 2015, our Company had announced that 348 Sentral had entered into a HOA with MTB for the proposed disposal of a 33-storey office tower known as “Menara Shell” together with a five (5)-storey podium and four (4)-storey basement car park, bearing postal address of No. 211, Jalan Tun Sambanthan, 50470 Kuala Lumpur, Wilayah Persekutuan, Malaysia and erected on part of the freehold land held under the master title of Geran 40094, Lot 348, Section 72, Town and District of Kuala Lumpur, Federal Territory of Kuala Lumpur, Malaysia (“Land”).

For information purposes, 348 Sentral had developed and erected Menara Shell and a 21-storey service apartment known as “Ascott Sentral Kuala Lumpur” together with a five (5)-storey podium and four (4)-storey basement car park, on the Land.

On 3 March 2016, our Company had announced that 348 Sentral and MTB had vide an extension letter dated 3 March 2016 extended the cut-off date for the execution of the SPA in relation to the Proposed Disposal to 15 April 2016 (“Cut-Off Date”).

On 12 April 2016, our Company had announced that the Cut-Off Date for the execution of the SPA had been further extended to 30 May 2016, with the option for an automatic extension of a further 30 business days if necessary, by 348 Sentral and MTB via a second extension letter dated 12 April 2016 (“**Second Extension Letter**”), to facilitate the submission of an application for a certificate of proposed strata plan (“**CPSP Application**”) by 348 Sentral to subdivide Menara Shell and Ascott Sentral Kuala Lumpur as both buildings are currently held under the master title of Geran 40094, Lot 348, Section 72, Town and District of Kuala Lumpur, Federal Territory of Kuala Lumpur, Malaysia, in accordance with the Strata Titles Act 1985. The Cut-Off Date was subsequently automatically extended to 14 July 2016.

On 30 June 2016, RHB Investment Bank had, on behalf of your Board, announced that 348 Sentral had on 30 June 2016, entered into a SPA with MTB for the Proposed Disposal.

On 30 June 2016, MQ REIT had announced that it is proposing to undertake the Proposed Placement. We, being a major unitholder of MQ REIT, had vide our letter dated 30 June 2016, given an undertaking to subscribe for such number of Placement Units with an aggregate value of no less than RM110 million but up to RM152 million under the Proposed Placement, subject to certain conditions as set out in Section 3 of Part B of this Circular (“**Undertaking**”). For the avoidance of doubt, in view that our Company is a major unitholder of MQ REIT, we will not participate in the bookbuilding exercise in relation to the Proposed Placement and shall not influence the manner in which the book builds or the determination of the issue price of the Placement Units. We will accept the final price for our Placement Units as determined by the bookbuilding exercise and announced by MQ REIT on Bursa Securities.

For information purposes, on 16 November 2015, our Company had appointed Astramina Advisory as the Financial Advisor of our Company in respect of the Proposals. On 4 January 2016, Astramina Advisory was appointed by MQM as Transaction Arranger in respect of the Proposed Disposal. Astramina Advisory will be appointed by MQM as the financial advisor in respect of the Proposed Placement, in conjunction with the appointment of joint placement agents by MQM. Astramina Advisory does not derive any advisory fee from MQM for its role as Transaction Arranger but will derive fees from MQM for its role in relation to the Proposed Placement. Our Company had vide the acceptance of Astramina Advisory’s letter of appointment for its role as Financial Advisor to our Company, acknowledged and consented to their appointments as the Transaction Arranger and financial advisor to MQM in relation to the Proposed Disposal and Proposed Placement respectively, which is mainly aimed at ensuring the timely and successful implementation of the Proposed Disposal and the Proposed Placement.

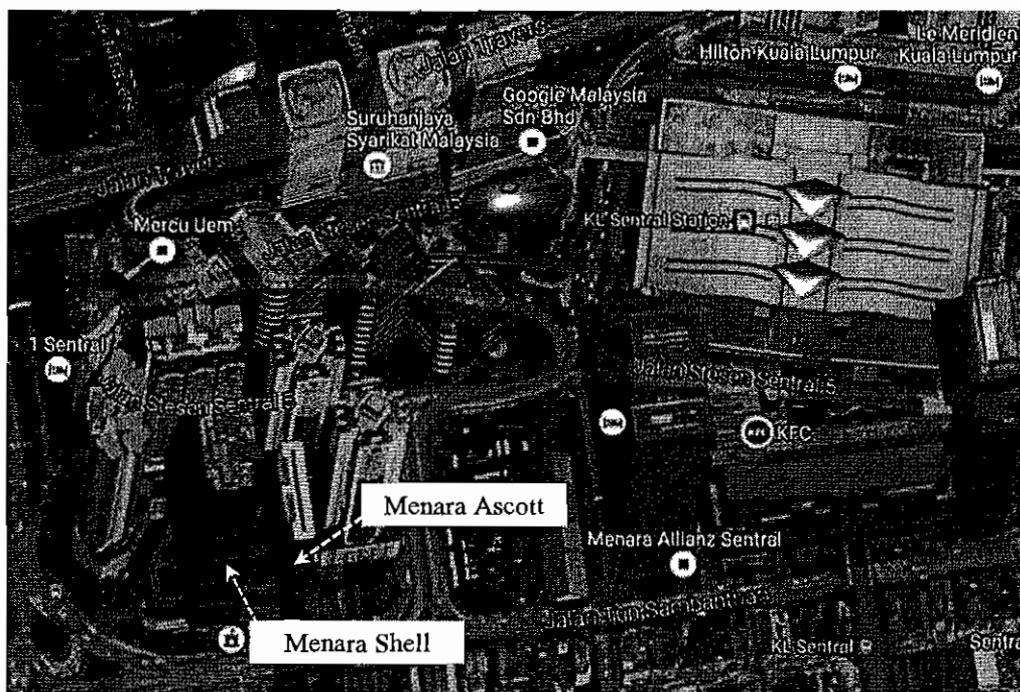
The roles and responsibilities of Astramina Advisory as the Financial Advisor of our Company in respect of the Proposals are to advise on, amongst others, the structure, terms and conditions, mode of payments, pricing and timing for the implementation of the Proposals whilst the roles and responsibilities of Astramina Advisory as the Transaction Arranger of MQM in respect of the Proposed Disposal is limited to ensuring an expeditious and accurate flow of information between MQ REIT, MQM and our Company, and to assist in arranging and coordinating project work streams to promote the timely implementation of the Proposed Disposal. In addition, the expected roles and responsibilities of Astramina Advisory as the financial advisor of MQM in respect of the Proposed Placement include, amongst others, assisting in the procurement of investor(s) as well as identifying and resolving issues that may arise in the course of implementation of the Proposed Placement. In this capacity, representatives of Astramina Advisory have participated in progress meetings and verification meetings of both our Company and MQM to ensure transaction/ implementation issues have been highlighted to and discussed with both parties and have facilitated in procuring confirmation of statutory information relating to both parties. In addition, representatives of Astramina Advisory have also been present at our Board meetings in relation to the Proposals to assist in ensuring that transaction/ implementation issues raised by your Board are promptly highlighted to MQ REIT and MQM and also to assist in the resolution of such issues. Astramina Advisory will be present at the forthcoming EGM of our Company, together with our Company’s Principal Adviser, namely RHB Investment Bank, to address any queries on transaction issues that shareholders may have in relation to the Proposals.

THE PURPOSE OF PART B OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE ORDINARY RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF PART B OF THIS CIRCULAR BEFORE VOTING ON THE ORDINARY RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DISPOSAL

The Proposed Disposal entails the disposal by 348 Sentral of the Property to MTB for the Disposal Consideration. The location map of the Property is set out below:-



(Source: Management of MRCB)

2.1 Information on the Property

The Property is located in Kuala Lumpur Sentral, an urban centre built around Stesen Sentral Kuala Lumpur which is Malaysia's largest transit hub. Further information on the Property is as follows:-

Postal address	: Menara Shell, No. 211, Jalan Tun Sambanthan, 50470 Kuala Lumpur, Wilayah Persekutuan, Malaysia
Strata title	: Yet to be issued
Title details of parent lot	: GRN 40094, Lot 348 Section 72, Town and District of Kuala Lumpur, Federal Territory of Kuala Lumpur, Malaysia
Tenure	: Term in perpetuity (Freehold)
Land area of parent lot	: 8,475 square metres or 91,224 sf
Existing use	: One (1) block of 33-storey office building erected on a five (5)-storey podium and four (4)-storey basement car park
Age of building	: Approximately two (2) years old (based on the certificate of completion and compliance dated 18 February 2014)
Parking bays	: 915 car park lots and 110 motorcycle lots
Gross build-up area based on the approved building plan	: 820,916.69 sf (comprising Menara Shell and a shared podium but excluding the car park area)
NLA	: 557,053 sf

Occupancy rate (based on 348 Sentral's tenancy schedule dated 25 March 2016)	:	99.9% (556,333 sf), which is entirely let out to third parties
Rental and car park income for FYE 31 December 2015	:	RM46,355,245
Encumbrances and endorsements (as per land search dated 16 February 2016)	:	(i) 15-year lease bearing presentation number 3794/2014 created by 348 Sentral in favour of Shell ("Registered Lease") pursuant to a lease agreement dated 1 November 2013 made between Shell and 348 Sentral (which includes the supplemental lease agreement dated 30 March 2015, the second supplemental lease agreement dated 16 December 2015 and any other instrument executed supplemental thereto or in substitution thereof from time to time) ("Lease Agreement") (ii) First party legal charge bearing presentation number 41546/2009 ("Existing Charge") created by 348 Sentral in favour of the Existing Chargee (as security agent for CIMB Bank Berhad, Hong Leong Bank Berhad and RHB Bank Berhad) as security for the Term Loan Facility
Express conditions (as per land search dated 16 February 2016)	:	The Land shall be used for commercial building for office and service apartment purposes only
Category of land use	:	Building
Restrictions in interest	:	Nil
Audited net book value as at 31 December 2015	:	RM428,527,841
Market value ascribed by the Independent Property Valuer	:	RM640,000,000
Date of valuation	:	19 May 2016
Method of valuation	:	Investment method and comparison method

2.2 Basis and justification of arriving at the Disposal Consideration

The Disposal Consideration is based on the market value of the Property as appraised by CBRE | WTW vide its Valuation Report. The valuation of the Property was carried out using the Investment Method and Comparison Method. The appraised market value of the Property as at 19 May 2016, being the material date of valuation, was RM640,000,000.

For information purposes, the Investment Method entails determining the net current annual income by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of investment to arrive at the market value. The Comparison Method entails analysing recent transactions and asking prices of similar properties in the larger locality for comparison purposes with adjustments made for differences in location/visibility, age/condition of building, design/finishes/specifications, size (NLA), strata/individual title, tenure, density, public amenities, green building features, Multimedia Super Corridor status, title restrictions if any, and other relevant characteristics to arrive at the market value.

The market values of the Property derived based on the Investment Method and Comparison Method of valuations are RM640,000,000 and RM665,000,000 respectively. The Independent Property Valuer had concluded that the market value derived from the Investment Method is a fair representation of the market value of the Property in view that it is an income generating property.

The valuation certificate dated 20 June 2016 for the Property is set out in Appendix B(III) of Part B of this Circular.

2.3 Mode of settlement

The Disposal Consideration will be satisfied by MQ REIT entirely in cash, in the manner as set out below, which in turn is expected to be funded via a combination of borrowings and the proceeds to be raised from the Proposed Placement.

Mode of settlement	Date of settlement	Note	Consideration RM('000)
Cash consideration	On the Completion Date or the Extended Completion Date, as the case may be	(i)	430,000
		(ii)	210,000
Total			640,000

Notes:-

(i) *Representing the estimated amount required to fully settle and discharge the relevant outstanding indebtedness in respect of the Term Loan Facility in order to obtain a full discharge of the Existing Charge ("Redemption Sum"). Assuming that the Term Loan Facility will be settled on 31 December 2016, the Redemption Sum is estimated to be RM430 million, before taking into consideration a principal settlement of RM25 million, which is due and payable on 16 December 2016. In the event the Completion Date or the Extended Completion Date, as the case may be, falls on a date after 16 December 2016, the principal settlement will be funded using internally generated funds and the proceeds from the Proposed Disposal which have been earmarked for the settlement of the Redemption Sum, as detailed in Section 2.8 of Part B of this Circular, will be utilised to replenish the internally generated funds of our Company which have been utilised for the principal settlement.*

(ii) *Representing the balance cash consideration ("Balance Cash Consideration") after deducting the Redemption Sum.*

In the event the actual Redemption Sum is higher/ lower than RM430 million, the difference will be adjusted to/ from the Balance Cash Consideration payable to our Company.

MTB shall pay the Redemption Sum to the Existing Chargee simultaneously with the payment of the Balance Cash Consideration to 348 Sentral.

At any time prior to the completion of the SPA, 348 Sentral will be entitled to appoint nominee(s), being our Company and/ or any wholly-owned subsidiary of our Company and/ or wholly-owned subsidiary of 348 Sentral, to receive and accept the Disposal Consideration in place of 348 Sentral by giving to MTB seven (7) business days' prior notice in writing of such nomination together with all particulars of the nominee(s).

2.4 Liabilities to be assumed by MQ REIT

There is no liability, including any contingent liability and guarantee, to be assumed by MQ REIT pursuant to the Proposed Disposal.

2.5 Original cost of investment

The original cost of investment for the Property which was completed on 18 February 2014 was approximately RM447.40 million.

2.6 Expected gain arising from the Proposed Disposal

The Proposed Disposal is expected to result in a net gain on disposal of approximately RM138.97 million after taking into account adjustments due to consolidation as well as after adjusting for, amongst others, expenses and taxes relating to the Proposed Disposal. The net gain on disposal was arrived at as follows:-

	RM('000)
Disposal Consideration	640,000
Less: Assets disposed ⁽¹⁾	(437,060)
Gain on disposal before consolidation adjustments	202,940
Less: Consolidation adjustments ⁽²⁾	(66,686)
Transaction costs arising from the Proposed Disposal	(1,140)
Gain on disposal after consolidation adjustments and before tax	135,114
Add: Deferred tax	3,856
Net gain on disposal to our Group	138,970

Notes:-

⁽¹⁾ Represents the carrying value of Menara Shell and trade receivables amounting to approximately RM8.53 million written off.

⁽²⁾ Assuming that our Company will subscribe for RM152 million in value of the Placement Units under the Proposed Subscription at an illustrative issue price of RM1.05 per Unit, our estimated unitholdings in MQ REIT is expected to be 32.9% of the enlarged unitholders' capital of MQ REIT. The consolidation adjustments represent the gain restricted to the extent of MRCB's unitholdings in MQ REIT.

2.7 Other salient terms of the SPA

2.7.1 Agreement to sell and to purchase

348 Sentral agrees to sell and MTB, acting solely in the capacity as trustee for and on behalf of MQ REIT, agrees to purchase the Property and the benefits and obligations in respect of the several tenancies and/ or lease(s) of the Property granted by 348 Sentral ("**Existing Tenancies**") for the Disposal Consideration, subject to the completion adjustment as set out in Section 2.7.2 of Part B of this Circular (if applicable) and to be satisfied by MTB in accordance with Section 2.3 of Part B of this Circular free from all encumbrances (save and except for the Registered Lease) together with all rights, title and interest, subject to the conditions, category of use and restrictions of the title of the Property, expressed or implied, in the strata titles and the terms and conditions of the SPA.

2.7.2 Completion adjustment

In the event that the open market value of the Property shall be varied/ adjusted pursuant to variations/ adjustments caused by whatsoever reasons to the market value of the Property (which will be mutually agreed by 348 Sentral and MTB) in respect of the Valuation Report and/ or variation in the Valuation Report, the Disposal Consideration shall be adjusted upwards or downwards accordingly.

Instances where the market value of the Property can be varied/ adjusted in the Valuation Report include, amongst others, changes in the NLA and rental rates of the Property which the Independent Property Valuer had relied on during the conduct of their valuation. In such event, the Disposal Consideration shall be adjusted upwards or downwards accordingly.

In the event of an upward adjustment of three per centum (3%) or more of the Disposal Consideration, MTB is entitled to terminate the SPA and in the event of a downward adjustment of three per centum (3%) or more of the Disposal Consideration, 348 Sentral is entitled to terminate the SPA.

The party terminating the SPA shall not be liable to pay any damages whatsoever for such termination.

2.7.3 Conditions precedent

The sale and purchase of the Property is subject to and conditional upon:-

- (i) the approval from the shareholder of 348 Sentral, and if required, our shareholders, for the Proposals;
- (ii) the approval of the unitholders of MQ REIT with respect to the acquisition of the Property, issuance of the Placement Units and new units for payment of manager's fee to MQM, increase in the approved fund size of MQ REIT pursuant to the issuance of the Placement Units and new units for payment of manager's fee to MQM and placement of the Placement Units to our Company and to EPF;
- (iii) MTB, on behalf of MQ REIT, obtaining the approval of the SC as set out in Section 9(iii) of Part B of this Circular, which was obtained on 27 September 2016;
- (iv) MTB, on behalf of MQ REIT, obtaining the approval from Bursa Securities as set out in Section 9(iv) of Part B of this Circular;
- (v) 348 Sentral, at its own cost and expense, and MTB, at the cost and expense of MQ REIT, procuring the undertaking of a valuation exercise on the Property by the Independent Property Valuer whereby a written report shall be prepared by the Independent Property Valuer (which shall be addressed separately to 348 Sentral and MQ REIT) to determine and confirm the valuation of the Property in such written report, which had been issued by the Independent Property Valuer vide the Valuation Report;
- (vi) 348 Sentral, at its own cost and expense, obtaining written consent from CIMB Investment Bank, being the security agent of the Term Loan Facility, in relation to the disposal of the Property, which was obtained on 13 September 2016;
- (vii) the letter of commitment in relation to the financing of the Property being issued by (a) the financial institution(s); and/ or (b) the investors holding any debt instrument issued by MTB and/ or any special purpose vehicle owned by MTB, to assist MTB in the purchase of the Property ("**Purchaser's Financing**") and shall include any agent or trustee acting for such financial institution(s) and/ or institution ("**Purchaser's Financier**") (or in the case of debt instrument, the letter of commitment from the financier(s) to the arranger of the debt instrument) and accepted by MTB or MQ REIT's special purpose company which will be used for the purposes of the Purchaser's Financing;
- (viii) MTB, on behalf of MQ REIT, having received the proceeds from the Proposed Placement;
- (ix) 348 Sentral, at its own cost and expense, obtaining the approval of Shell for the novation and transfer of all the rights, benefits, interest and obligations of 348 Sentral in the Lease Agreement to MTB; and

- (x) 348 Sentral providing documentary evidence to MTB that 348 Sentral has submitted to the Department of Survey and Mapping for the Federal Territory Kuala Lumpur or Director of Survey and Mapping for the Federal Territory Kuala Lumpur and includes a Deputy Director of Survey and Mapping, the CPSP Application, which had been submitted on 24 October 2016.

All the conditions precedent as set out above are to be fulfilled within six (6) months from the date of the SPA or such later period or periods thereafter as 348 Sentral and MTB may agree to in writing (“**Conditional Period**”). Provided that if all other conditions precedent other than the condition precedent set out in Section 2.7.3(viii) of Part B of this Circular are either fulfilled or waived by then, the period of six (6) months above shall be automatically extended by a further period of three (3) months after the expiry of the period of six (6) months above.

2.7.4 Non-satisfaction/ waiver

To the extent that failure to satisfy any of the conditions precedent does not contravene any law or regulations issued by the SC or Bursa Securities, 348 Sentral and MTB may mutually agree to amend or waive any of the conditions precedent which are to be satisfied by any of the parties. If any of the conditions precedent are not satisfied or waived on the last day of the Conditional Period, the provisions as set out in Section 2.7.6(i)(b) of Part B of this Circular shall apply and the SPA will lapse.

2.7.5 Unconditionality

The SPA will become unconditional on the Unconditional Date. In the event that any condition precedent remains unfulfilled after all other conditions precedent have been fulfilled and such condition precedent is waived by the relevant party or by both 348 Sentral and MTB, the SPA will become unconditional on the day upon which such unfulfilled condition precedent is waived.

2.7.6 Termination

- (i) Termination on default by Vendor

If there is a default by 348 Sentral to complete the Proposed Disposal in accordance with the terms and conditions of the SPA or in the event any representation, warranty or undertaking of 348 Sentral is not true or accurate or is not complied with in any material respect, MTB shall give to 348 Sentral a 45 days’ notice to rectify the alleged breach or default as stipulated in the said notice. If 348 Sentral fails to rectify the alleged breach or default within the said 45 days, MTB is entitled at its sole and absolute discretion to do either of the following (by notice in writing to 348 Sentral):-

- (a) to require specific performance of the SPA; or
- (b) to terminate the SPA and 348 Sentral shall within 14 business days of its receipt of the notice of such written termination if already paid to 348 Sentral refund to MTB, or if to the extent paid by the Purchaser’s Financier, to the Purchaser’s Financier, the aggregate of the Balance Cash Consideration and the Redemption Sum after the Completion Date or the Extended Completion Date, as the case may be (if any) interest free and upon the terms and conditions of the SPA.

(ii) Termination on default by Purchaser

If MTB fails to satisfy the Disposal Consideration or any part thereof or to complete the Proposed Disposal in accordance with the terms and conditions of the SPA or in the event any representation, warranty or undertaking of MTB is not true or accurate or is not complied with in any material respect, by the Completion Date or the Extended Completion Date, as the case may be, save for non-payment of the Disposal Consideration or any part thereof, 348 Sentral shall give to MTB 45 days' notice to rectify the alleged breach or default as stipulated in the said notice. In the event that MTB fails to rectify the alleged breach or default within the said 45 days, 348 Sentral is entitled at its sole and absolute discretion to do either of the following (by notice in writing to MTB):-

- (a) to require specific performance of the SPA; or
- (b) to terminate the SPA.

In the event the SPA is terminated, MTB shall:-

- (1) in the event that the Purchaser's Financier's caveat cannot be withdrawn for any reason whatsoever, procure at MTB's own cost and expense, the execution forthwith of a fresh withdrawal of private caveat from the Purchaser's Financier and deliver the same to 348 Sentral and, if the private caveat is not withdrawn, cause to be withdrawn such private caveat lodged by the Purchaser's Financier or the Purchaser's Financier's solicitors on the document of title (if any);
- (2) redeliver legal possession for those parts of the Property which have been rented under the existing tenancy agreements and vacant possession for those parts of the Property which have not been rented under the existing tenancy agreements in its original state and condition (fair wear and tear excepted) to 348 Sentral (if legal and/ or vacant possession has been delivered earlier to MTB);
- (3) if not presented/ registered at the Land Registry or if presented but rejected by the Land Registry, to return all 348 Sentral's documents (including but not limited to the completion documents and the redemption documents if already delivered) and any documents evidencing 348 Sentral's rights on the said Property to 348 Sentral in their original state and condition (fair wear and tear excepted) and with 348 Sentral's rights thereto as the registered owner of the Property remaining intact (if the same or any have been delivered to the MTB's solicitors or the Purchaser's Financier's solicitors);
- (4) execute and deliver to 348 Sentral the original deed(s) of novation or re-assignment, as the case may be, in respect of the Existing Tenancies for the novation and transfer of all the rights, benefits, interest and obligations of 348 Sentral in the Existing Tenancies, warranties, guarantees, maintenance agreements or the re-assignment of all the rights, benefits and interest of 348 Sentral to MTB, as applicable which have been novated or assigned to MTB upon completion;
- (5) in the event any of the licences are issued in the name of MTB, provide full co-operation to 348 Sentral at MTB's costs and expense, to enable 348 Sentral to apply for any licences to be reissued in the name of 348 Sentral; and

- (6) pay the stamp duty in respect of all such novations and re-assignments.
- (iii) Non-registration of transfer or discharge of Existing Charge

If the transfer of each parcel through a valid and registrable memorandum of transfer in respect of each parcel under the Property (“Transfer”) or the discharge of the Existing Charge cannot be registered for any reason whatsoever other than through any default of MTB or the Purchaser’s Financier or any of their solicitors, 348 Sentral and MTB/ Purchaser’s Financier shall work together to procure the registration of the Transfer and the discharge of the Existing Charge. If the matter giving rise to the non-registration cannot be rectified within six (6) months of a notice in writing from MTB to 348 Sentral to rectify this, MTB shall have the right to require 348 Sentral to repurchase the Property from MTB at the price to be mutually agreed upon by 348 Sentral and MTB (“Repurchase Price”) provided that the Repurchase Price cannot be lower than the Disposal Consideration or the redemption amount required to fully settle and discharge of the outstanding Purchaser’s Financing, whichever is higher. 348 Sentral and MTB further agree that the Repurchase Price shall not contravene paragraphs 8.19 and 9.04(b) of the REIT Guidelines, as amended from time to time.

2.7.7 Undertakings of 348 Sentral and MTB

348 Sentral undertakes that it will not, from the date of SPA and prior to completion of the SPA, without the prior written consent of MTB:-

- (a) permit any additional encumbrances to arise on the Property;
- (b) enter into any agreement, arrangement or option to sell, transfer or dispose of the Property;
- (c) commit any material breach or default of any existing tenancy agreements which entitles the tenants thereunder to terminate such tenancy agreements; and
- (d) allow or procure any act or omission which would constitute or give rise to a breach of any Vendor’s warranty or any provision of the SPA.

MTB undertakes that it will, from the date of the SPA and prior to the completion of the SPA comply with all the provisions of the trust deed, the REIT Guidelines and all applicable laws, regulations, or orders and MTB also undertakes that it shall procure MQ REIT not to, from the date of the SPA and prior to the completion of the SPA, without the prior written consent of 348 Sentral:-

- (a) allow or procure any act or omission (in each case save only as may be required to give effect to the SPA) which would constitute or give rise to a breach of any warranty set out in the SPA; and
- (b) take any action or omit to take any action which will cause the Units to cease to be listed and quoted on Bursa Securities.

MTB undertakes to 348 Sentral that it will, from the date of the SPA and prior to the completion of the SPA:-

- (a) to the extent permitted by the applicable laws, MTB shall make disclosures to 348 Sentral of all relevant information which comes to its notice in relation to any fact or matter (whether existing on or before the date of the SPA or arising afterwards) which may constitute a breach on the part of MTB of any warranty, undertaking or any other provision of the SPA; and

- (b) respond to, in a timely manner in writing and with sufficient particularity, any queries by 348 Sentral and any persons authorised by 348 Sentral for the purpose of satisfying themselves as to the accuracy of the warranties, and to give promptly all such documents, information, and explanations to any such persons as aforesaid as may be requested by 348 Sentral and any persons authorised by 348 Sentral.

2.7.8 Representations, warranties and undertakings

(i) By 348 Sentral:-

348 Sentral represents, warrants and undertakes to MTB, amongst others, that as at the date of the SPA and on completion of the SPA:-

- (a) 348 Sentral is the registered owner of the Land and Menara Shell erected thereon and the beneficial owner of the Property with full rights, benefits and title to enable disposal of the Property to MTB;
- (b) the Property shall be free of all encumbrances (save for the Registered Lease) upon completion of the SPA;
- (c) the total NLA of the Property is approximately 557,053 sf, together with 915 car park lots and 110 motorcycle lots and that 348 Sentral has complied with all statutory requirements, planning consents bye-laws, orders and regulations affecting the Property (including the development order);
- (d) the Property or any part thereof is not subject to any compulsory acquisition by the appropriate authorities;
- (e) the Existing Tenancies are valid and subsisting and there has been no default by 348 Sentral under any of the Existing Tenancies;
- (f) 348 Sentral has not received any notice of termination from any of the existing tenants nor has any event occurred that has given rise to any cause or grounds for any existing tenant to lawfully terminate its tenancy or licence; and
- (g) to maintain and subsequently deliver the Property to MTB in the same state and condition as at the date of the SPA, fair wear and tear excluded.

(ii) By MTB:-

MTB represents, warrants and undertakes to 348 Sentral, amongst others, that as at the date of the SPA and on completion of the SPA:-

- (a) MTB has full power and authority to contract on behalf of MQ REIT;
- (b) MQ REIT has been duly constituted, is validly existing and has all requisite powers and authority to own its assets and to conduct the business being carried on by it;
- (c) MQ REIT has complied with all legal requirements relating to the issuance of Units; and
- (d) that MTB will provide information, relevant confirmation and verification that is within MTB's knowledge and control that 348 Sentral or its advisers require for the public announcements of Bursa Securities, submission of any application to the relevant authorities and for the preparation of the circular to the shareholders.

2.7.9 Compulsory acquisition

In the event that the Property or any part thereof shall be or become affected by any notice of acquisition or intended acquisition under the Land Acquisition Act, 1960 or other legislation in Malaysia before the Completion Date or the Extended Completion Date, 348 Sentral shall give notice to MTB within 14 business days of the receipt of such notice, if the notice is received prior to the Unconditional Date and within five (5) business days if the notice is so received after the Unconditional Date. Then MTB shall within 14 business days of its receipt of the notification have the option either to terminate the SPA or to proceed with the purchase and notify 348 Sentral of its election. In the event 348 Sentral does not receive any written notification from MTB within the said 14 business days, MTB shall be deemed to have elected to proceed with the purchase.

2.8 Utilisation of proceeds

The total cash proceeds of RM640,000,000 to be raised from the Proposed Disposal is intended to be utilised in the following manner:-

Details of utilisation	Note	Amount RM('000)	Estimated time frame for full utilisation
Settlement of the Redemption Sum/ replenishment of internally generated funds utilised for principal repayment (if any)	(i)	430,000	On the Completion Date or Extended Completion Date, as the case may be
Proposed Subscription	(ii)	152,000	On the Completion Date or Extended Completion Date, as the case may be
Repayment of borrowings	(iii)	28,430	Within 3 months *
Working capital and contingencies	(iv)	26,570	Within 12 months *
Defrayment of estimated expenses in relation to the Proposals	(v)	3,000	Within 6 months *
Total		640,000	

Notes:-

- * From the date of completion of the Proposed Disposal.
- (i) The Redemption Sum will be paid by MTB to the Existing Chargee simultaneously with the payment of the Balance Cash Consideration, in the manner as set out in Section 2.3 of Part B of this Circular. As the final Redemption Sum can only be determined at the point of settlement, the amount of RM430 million represents an internal estimate assuming that the Term Loan Facility is fully settled on 31 December 2016, before taking into consideration a principal settlement of RM25 million which shall be due and payable on 16 December 2016. In the event the Completion Date or the Extended Completion Date, as the case may be, falls on a date after 16 December 2016, the principal settlement will be funded using internally generated funds. In this regard, the proceeds from the Proposed Disposal which have been earmarked for the settlement of the Redemption Sum will be utilised to replenish the internally generated funds of our Company which have been utilised for the principal settlement.
- Any shortfall in the amount utilised for the settlement of the Redemption Sum/ replenishment of internally generated funds utilised for principal repayment (if any) prior to the Completion Date or the Extended Completion Date, as the case may be, will be adjusted from the gross proceeds allocated to working capital and contingencies, whilst any excess will be adjusted to the gross proceeds which have been earmarked for the repayment of bank borrowings.
- (ii) Assuming that our Company subscribes for RM152 million in value of the Placement Units pursuant to the Undertaking.
- For information purposes, under the conditions precedent to the SPA, our Company is required to remit the subscription consideration for the Proposed Subscription to MTB, on behalf of MQ REIT, during the Conditional Period (further details of which are set out in Section 2.7.3(viii) of Part B of this Circular). In this regard, RM150 million shall be satisfied via a bridging loan whilst the remaining balance, if any, will be satisfied via internally generated funds. The proceeds to be raised from the Proposed Disposal will subsequently be utilised to replenish our internally generated funds and/or repay the bridging loan.

For information purposes, our Company has undertaken to subscribe for such number of new Units to be issued under the Proposed Placement at an issue price to be determined via bookbuilding with an aggregate value of no less than RM110 million but up to RM152 million. In this regard, if the final consideration for the Proposed Subscription is less than RM152 million, the excess amount will be adjusted to the gross proceeds which have been earmarked for the repayment of bank borrowings.

- (iii) *As at LPD, the total borrowings of our Group amounted to approximately RM3.20 billion. Based on our Group's weighted average interest rate for the borrowings to be repaid and Term Loan Facility to be redeemed of approximately 5.18% per annum as at LPD, the repayment of borrowings of approximately RM28.43 million, together with the redemption of the Term Loan Facility are expected to result in gross interest savings of approximately RM23.75 million per annum.*
 - (iv) *Working capital and contingencies will be utilised to finance the day-to-day operations of our Group which include construction and property development activities, salaries and wages, sales and marketing and other administrative expenses.*
 - (v) *The expenses relating to the Proposals comprise, amongst others, advisory fees, regulatory fees, expenses to convene the EGM, printing, despatch and advertising expenses as well as other miscellaneous expenses (inclusive of GST).*
- Any excess/ shortfall in the amount utilised for the defrayment of estimated expenses in relation to the Proposals will be adjusted to/from the gross proceeds which have been earmarked for working capital and contingencies.*

3. DETAILS OF THE PROPOSED SUBSCRIPTION

Pursuant to the Undertaking, our Company has undertaken to subscribe for such number of new Units to be issued under the Proposed Placement at an issue price to be determined via bookbuilding with an aggregate value of no less than RM110 million but up to RM152 million, subject to the following conditions:-

- (i) the approval of MQ REIT's unitholders for the Proposed Placement;
- (ii) the approval of our shareholders for the Proposed Subscription;
- (iii) the Proposed Placement being implemented in a single tranche and the approval of Bursa Securities being obtained by MQ REIT for the listing of and quotation for the Placement Units on the Main Market of Bursa Securities;
- (iv) our Company and/ or any persons acting in concert with our Company in relation to MQ REIT will not in any event trigger a mandatory take-over offer under the Malaysian Code on Take-Overs and Mergers 2016 and Rules on Take-Overs, Mergers and Compulsory Acquisitions as a result of the Proposed Subscription; and
- (v) our Company's subscription for Placement Units in excess of RM110 million in value shall be at our sole discretion.

For the avoidance of doubt, the Undertaking shall automatically lapse and terminate and be of no further force and effect upon occurrence of the following:-

- (i) the completion of the Proposed Placement including the Proposed Subscription;
- (ii) the completion of the SPA in accordance with its terms; or
- (iii) the termination of the SPA for any reason whatsoever (including by reason of non-fulfilment of any applicable condition precedent).

3.1 Basis and justification of arriving at the subscription consideration

The issue price for the Placement Units shall be based on the bookbuilding price. In any event, the Placement Units will be priced at no more than ten percent (10%) discount to the five (5)-day volume weighted average market price of the Units immediately preceding the price-fixing date.

For the avoidance of doubt, our Company will not influence the manner in which the book builds for the Proposed Placement or the determination of the issue price of the Placement Units. We, as a price-taker, shall accept the final price for our Placement Units, being the issue price which shall be determined once the bookbuilding exercise is closed and shall be duly announced on Bursa Securities.

3.2 Mode of settlement

The subscription consideration shall be payable by our Company within five (5) market days from the price-fixing date of the Proposed Placement.

3.3 Source of funding

Assuming that our Company subscribes for up to RM152 million in value of new Units in MQ REIT, our Company expects the Proposed Subscription to be satisfied in the following manner:-

	RM('000)
Bridging loan	150,000
Internally generated funds	2,000
Total	152,000

The proceeds to be raised from the Proposed Disposal will subsequently be utilised to replenish our internally generated funds and/ or repay the bridging loan. Further details are set out in Note (ii) of Section 2.8 of Part B of this Circular.

In the event the consideration for the Proposed Subscription is RM150 million or less, the Proposed Subscription will be satisfied entirely via a bridging loan.

3.4 Liabilities to be assumed by our Company

There is no liability, including any contingent liability and guarantee, to be assumed by our Company pursuant to the Proposed Subscription.

3.5 Estimated financial commitment

Save for the subscription consideration, your Board does not foresee any financial commitment required for the Proposed Subscription as at LPD.

4. INFORMATION ON MQ REIT

MQ REIT was constituted by a deed of trust dated 9 October 2006 entered into between MTB and MQM as the manager of MQ REIT, which includes the first supplemental deed dated 27 August 2007, the second supplemental deed dated 28 May 2013 and third supplemental deed dated 2 April 2015. As at LPD, our Company holds 31.2% equity interest and 41.0% equity interest in MQ REIT and MQM respectively.

The investment objectives of MQ REIT is to acquire and invest primarily in properties used or predominantly used for commercial purpose primarily in Malaysia with a view to provide unitholders with long-term and sustainable distribution of income and achieve long-term growth in the NAV per Unit. As at LPD, the approved fund size is 700,000,000 Units and the issued and fully paid fund size is 661,381,000 Units.

As at LPD, MQ REIT's portfolio comprises ten (10) commercial buildings located in Kuala Lumpur, Selangor and Penang.

Further information on MQ REIT is set out in Appendix B(I) of Part B of this Circular.

5. RATIONALE FOR THE PROPOSALS

The Proposed Disposal is consistent with our Group's broad strategy of increasing our focus in our core businesses of property development and construction. In addition, the Proposed Disposal would enable our Group to unlock value and realise our investment in Menara Shell. On a pro forma basis, our Group is expected to realise a pro forma net gain on disposal of approximately RM138.97 million after taking into account adjustments due to consolidation as well as after adjusting for, amongst others, expenses and taxes relating to the Proposed Disposal.

In addition, the Proposed Disposal also accords an avenue for our Group to realign our property investments in a more efficient structure of a REIT and thereby potentially providing more value to our shareholders. The injection of Menara Shell into MQ REIT is exempted from Real Property Gains Tax.

Furthermore, cash proceeds from the Proposed Disposal will partly be utilised to pare down borrowings of our Group which will reduce our Group's gearing level from 1.47 times for the FYE 31 December 2015 to 1.20 times as well as result in estimated gross interest savings of approximately RM23.75 million per annum.

The Proposed Subscription demonstrates the commitment of our Company to support the continued growth of MQ REIT. The Proposed Subscription will also allow our Company to maintain our majority stake in the enlarged unitholders' capital of MQ REIT after the Proposed Placement and continue benefiting from the future income distributions by MQ REIT as well as to share in the profits of MQ REIT which in turn is expected to contribute positively to the future earnings of our Group over the longer term. In the event MQ REIT implements the Proposed Placement under its maximum scenario which entails the issuance of 406,666,667 Placement Units at an illustrative issue price of RM1.05, and our Company subscribes for RM152 million in value of the Placement Units, our Company's estimated unitholdings in MQ REIT is expected to be 32.9% of the enlarged unitholders' capital of MQ REIT.

6. RISK FACTORS IN RELATION TO THE PROPOSALS

Saved as disclosed below, your Board is not aware of any other risk factor arising from the Proposals which could materially affect the business, operating results and financial condition of our Company.

6.1 Risks inherent to property investment

There are certain risks inherent to property investment, such as, *inter-alia*, the following:-

6.1.1 The loss of key tenants or a downturn in the business of these tenants

The investment properties held by MQ REIT ("**Investment Properties**") have tenancy cycles in which a substantial number of tenancies will expire in certain years. The bankruptcy, insolvency or a downturn in the business of any key tenant, as well as the decision by any key tenant not to renew its tenancy could further adversely affect MQ REIT's financial condition and results of operations. In addition, the departure of a key tenant could reduce the attractiveness of the Investment Properties to potential tenants and affect MQ REIT's ability to retain existing tenants. Renewed rental rates and other terms of renewal may also be less favourable than the original terms of tenancy.

Nevertheless, our Company has extensive experience in property investment and via our participation in MQM, the manager of MQ REIT, we will be able to contribute to the formulation and implementation of appropriate leasing and marketing strategies for MQ REIT to minimise such risks which are within our control.

6.1.2 The Investment Properties may face increased competition from other properties

The property industry is increasingly competitive as new properties may be developed and the attractiveness of the Investment Properties may decrease in future. The income from, and the market value of, the Investment Properties will be dependent on their ability to compete against other properties in attracting and retaining tenants.

In recognition of the need to continuously fulfil changing demands and preferences in the property industry, our Company via our participation in MQM, will assist MQ REIT in reviewing its marketing and asset improvement strategies on a regular basis and ensure that MQ REIT continues to upkeep and upgrade the Investment Properties in order to remain competitive.

6.1.3 The Investment Properties are subject to operating risks

The Investment Properties are subject to a number of operating risks, including, *inter-alia*, changes in statutory laws, regulations or government policies which may further increase the cost of compliance with such laws, regulations or policies, such as increase in payroll expenses, increase in quit rent, assessments and other statutory charges, increase in costs of financing for operating or capital requirements, increase in construction, repair and maintenance costs and increase in insurance premiums. These factors may have an adverse effect on the value of the Investment Properties and rental income derived therefrom.

Nevertheless, our Company will continue to keep abreast with the changes in the general economic conditions and development policies and, via our participation in MQM, will ensure that MQ REIT puts in place the necessary strategies in order to control and safeguard against such risks.

6.2 Risks relating to the loss of direct ownership of the Property

Prior to the Proposed Disposal, our Group has direct ownership and full control of the Property. This allowed our Group to, amongst others, consolidate the earnings from the Property which will subsequently accrue to our shareholders.

After the completion of the Proposed Disposal, our Group will continue to have an indirect interest in the Property as well as other property assets held by MQ REIT via our unitholdings in MQ REIT. Thereafter, contribution from the Property to our Group's earnings would be in the form of income distributions and share of profits from MQ REIT. The contributions from MQ REIT to our Group's earnings would depend on, amongst others, the financial performance of the Property and the Investment Properties.

There can be no assurance that the above contribution from the holding of the Units would be greater than the direct contribution from the holding of the Property by our Group had the Proposed Disposal not occurred, or that such contribution will be sustainable.

Nevertheless, our Company via our participation in MQM, will be able to monitor the performance of the Property as well as contribute to the development and implementation of strategies to enhance the financial performance of the Property.

6.3 Completion risks

The completion of the Proposed Disposal is conditional upon the satisfaction (or waiver as the case may be) of the conditions precedent of the SPA as set out in Section 2.7.3 of Part B of this Circular. There can be no assurance that all such conditions precedent will be fulfilled or obtained in a timely manner or at all. In the event any of these conditions precedent are not fulfilled or waived, the SPA may be terminated and hence, the Proposed Disposal may not be completed.

Notwithstanding this, 348 Sentral and MTB will undertake all reasonable steps to ensure the satisfaction and/ or waiver (as the case may be) of the conditions precedent of the SPA to facilitate the completion of the Proposed Disposal.

6.4 Volatility of Unit price

The trading prices of the Units is subject to price fluctuations attributed to, among others, variations in the results of operations, changes in general economic conditions, changes in accounting principles or other developments affecting the enlarged MQ REIT, general stock market fluctuations and other events or factors. In addition, cyclical movements in domestic and international securities markets, foreign exchange rates and interest rates may affect the price of, and demand for, the Units. Further, volatility in the market prices of the Units may be caused by factors beyond the control of our Company and/ or MQ REIT and may be unrelated and disproportionate to the operating results of MQ REIT.

However, such risk is mitigated as our Company's investment in MQ REIT is intended as a long term investment and our Company is expected to also benefit from the future income distributions by MQ REIT as well as our share in the profits of MQ REIT.

7. OVERVIEW AND PROSPECTS

7.1 Overview and outlook of the Malaysian economy

In 2016, the Malaysian economy is expected to continue to expand amid a challenging external environment including slower growth in the advanced economies; prolonged low oil prices; and volatile international financial markets. As an open economy, Malaysia is not immune to these external uncertainties. Nevertheless, the economic, financial and fiscal reforms undertaken over the years have provided sufficient buffers to weather external shocks. The country's fundamentals remain strong, including a stable labour market with full employment; manageable inflation; healthy foreign reserves; and a sound financial system with efficient intermediation to support the economy. Although subdued prices weigh on commodity exports, the diversified products and markets continue to support Malaysia's trade performance.

Domestic demand is expected to remain resilient and continue to be the key engine of growth. Private consumption, contributing 53.3% to gross domestic product ("GDP") is expected to expand steadily on account of stable growth in employment and income, additional disposable income from the Malaysian Government measures and accommodative financing conditions. Private investment activity is expected to remain firm supported by the on-going and commencement of new projects in the services, manufacturing and construction sectors. In addition, private investment is expected to benefit from measures implemented to further improve business environment. Public sector spending will continue to support growth, while remaining committed to fiscal consolidation path.

On the supply side, the services and manufacturing sectors continue to be the main contributors to GDP growth. Meanwhile, output of domestic-oriented industries such as food products and construction-related cluster are expected to continue to be strong in line with robust domestic consumption and implementation of infrastructure projects. The construction sector is expected to grow significantly on account of acceleration of civil engineering projects and building of residential properties.

The consumer price index is expected to remain manageable ranging between 2% and 2.5% in 2016.

For the year, the economy is expected to remain on a steady growth path, expanding between 4% and 4.5%, with private sector contributing significantly to GDP growth. Gross national income ("GNI") is estimated to increase 6.4% to RM1.2 trillion (2015: 5.2%; RM1.1 trillion) with income per capita growing 4.8% to RM37,812 (2015: 3.6%; RM36,078).

Prospects for 2017

The Malaysian economy is expected to expand between 4% and 5% in 2017 (2016: 4% - 4.5%) with nominal GNI per capita increasing 5% to RM39,699 (2016: 4.8%; RM37,812). Economic growth will be underpinned by strong domestic demand, especially private sector expenditure. Private sector activity will be supported by pro-growth fiscal and accommodative monetary policies in an environment of stable inflation, which is projected to range between 2% and 3% (2016: 2% - 2.5%). Meanwhile, public sector expenditure will be driven mainly by higher capital investment by public corporations.

(Source: Economic Report 2016/2017, Ministry of Finance - Chapter 3: Economic Performance and Prospects)

7.2 Overview and outlook of the commercial property sector

The Purpose-Built Office (“PBO”) segment improved during the first half of 2016 with the incoming supply rebounding 28.4% to 2 million square metres (“sm”), while planned supply increased sharply by 56% to 1 million sm (January – June 2015: -15.9%; 1.6 million sm; 36.6%; 0.7 million sm).

The shop segment recorded 6,513 transactions worth RM4.7 billion during the first half of 2016, constituting 56% of total commercial property transactions (January – June 2015: 10,045 transactions; RM7.9 billion). Johor contributed the highest market volume of 17.5% followed by Selangor (16.1%). The shop overhang increased 22.6% to 5,024 units valued at RM2.5 billion during the period following a more cautious sentiment among businesses (January – June 2015: -14.8%; 4,097 units; RM1.7 billion). However, demand for commercial buildings remained favourable with the average occupancy rate of retail space at 82.2% and office at 83.5%, reflecting sustained demand for commercial space in prime areas. As at end-June 2016, the existing stock of shopping complexes stood at 14.2 million sm (end-June 2015: 13.4 million sm). The PBO Rent Index Wilayah Persekutuan Kuala Lumpur increased 4% to 128.7 points in the second quarter of 2016 (Second quarter 2015: 3.5%; 123.7 points). Kuala Lumpur City Center recorded the highest rental increase of 4.2% to RM4.73 per sf, surpassing the average rate of RM4.62 per sf in Wilayah Persekutuan Kuala Lumpur.

Prospects for 2017

The non-residential subsector is expected to benefit from the mixed commercial development mainly in Klang Valley, Johor and Pahang.

(Source: Economic Report 2016/2017, Ministry of Finance - Chapter 3: Economic Performance and Prospects)

7.3 Prospects of MQ REIT

The investment objective of MQ REIT is to acquire and invest in commercial properties primarily in Malaysia with a view to provide long-term growth and sustainable distribution of income to unitholders to achieve long-term growth in the NAV per unit.

Downward pressure on the Kuala Lumpur office market occupancy rate is expected to persist in view of the challenging economic environment in 2016 and the impending future supply of office space. The management expects the performance of MQ REIT’s portfolio to remain stable. MQM, as the manager of MQ REIT, will continue to focus on its tenant retention strategy and to explore acquisition opportunities to grow the fund.

Based on the lease expiry profile of the Investment Properties, 7% of the total NLA is due for renewal in 2016. As at the third (3rd) quarter of 2016, 64% of these leases have been renewed while 8% have not been renewed. There is a balance of 28% of leases due in the fourth (4th) quarter of 2016, wherein most of the renewal negotiations are in advanced stages. Early negotiations have commenced for certain leases due in 2017.

(Source: Quarterly report of MQ REIT for the FPE 30 September 2016)

8. EFFECTS OF THE PROPOSALS

8.1 Share capital and substantial shareholders' shareholdings

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

8.2 NA per share and gearing

Based on the audited consolidated statement of financial position of our Company as at 31 December 2015 and the assumption that the Proposals had been effected on that date, the pro forma effects of the Proposals on the NA and gearing of our Group are as follows:-

	Audited as at 31 December 2015	After the Proposals
	RM('000)	RM('000)
Share capital	1,786,591	1,786,591
Share premium	327,950	327,950
Retained earnings	83,153	223,566 ⁽¹⁾
Other reserves	62,453	62,453
Shareholder's equity/ NA	2,260,147	2,400,560
Non-controlling interests	52,624	52,624
Total equity	2,312,771	2,453,184
No. of ordinary shares in issue ('000)	1,786,591	1,786,591
NA per ordinary share (RM)	1.27	1.34
Borrowings	3,395,332	2,937,940 ⁽⁴⁾
Gearing (times) ⁽²⁾	1.47	1.20
Net gearing (times) ⁽³⁾	1.24	0.98

Notes:-

⁽¹⁾ Includes the pro forma net gain on disposal of approximately RM138.97 million after adjusting for, amongst others, expenses such as advisory fees and taxes in relation to the Proposed Disposal. In arriving at the pro forma net gain on disposal, consolidation adjustments have been made based on our unitholdings in MQ REIT to eliminate the gain attributable to our Company arising from the Proposed Disposal.

In addition, the pro forma retained earnings also takes into account, amongst others, incidental expenses and costs in relation to the Proposals amounting to approximately RM2.90 million, which includes regulatory fees, expenses to convene the EGM, printing, despatch, advertising expenses and other miscellaneous expenses (inclusive of GST) as well as the full amortisation of issuance costs of the Term Loan Facility.

⁽²⁾ Derived based on total interest-bearing borrowings over total equity.

⁽³⁾ Derived based on total interest-bearing borrowings (less deposits, cash and bank balances) over total equity.

⁽⁴⁾ After the redemption of the Term Loan Facility which is estimated at approximately RM430 million and the repayment of borrowings of our Group amounting to RM28.43 million, as set out in Section 2.8 of Part B of this Circular, and including the full amortisation of issuance costs of the Term Loan Facility of approximately RM1.04 million.

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8.3 Earnings and EPS

For illustration purposes, based on the assumption that the Proposals had been effected on 1 January 2015 (being the beginning of the FYE 31 December 2015), our pro forma EPS for the FYE 31 December 2015 would be as follows:-

	RM('000)
Audited PATANCI for the FYE 31 December 2015	330,392
Add: Pro forma net gain on disposal ⁽¹⁾	135,786
Fair value gain on equity interest in MQ REIT ⁽²⁾	4,343
Additional share of results in MQ REIT for the FYE 31 December 2015 ⁽³⁾	512
Less: Other estimated expenses and costs to be incurred in relation to the Proposals ⁽⁴⁾	(2,899)
Loss of profits contributed by Menara Shell for the FYE 31 December 2015	(3,623)
Pro forma PATANCI as at 31 December 2015	464,511
Weighted average ordinary shares in issue ('000)	1,785,714
Pro forma EPS (sen)	26.01

Notes:-

⁽¹⁾ In view that the pro forma EPS is illustrated on the assumption that the Proposals had been effected on 1 January 2015, the pro forma net gain on disposal of approximately RM135.79 million has been computed based on the net book value of the Property as at 31 December 2014 after adjusting for, amongst others, expenses such as advisory fees and taxes in relation to the Proposed Disposal. In arriving at the pro forma net gain on disposal, consolidation adjustments have been made based on our unitholdings in MQ REIT to eliminate the gain attributable to our Company arising from the Proposed Disposal.

The computation of the pro forma net gain on disposal above is solely for illustrative purposes and there is a discrepancy with the pro forma net gain on disposal that is disclosed in other sections of Part B of this Circular amounting to approximately RM138.97 million, which has been computed based on the net book value of the Property as at 31 December 2015.

⁽²⁾ Based on the requirements of the Financial Reporting Standards 128 "Investment in Associates", when there is an acquisition in the equity interest in an associate company, the goodwill associated with the acquisition has to be assessed by comparing the fair value of the purchase consideration against the fair value of the additional NA acquired. In accordance with the abovementioned requirements, based on the closing price of the Units on 31 December 2015 of RM1.08 per Unit and assuming our Company had subscribed for RM152 million in value of the Placement Units under the Proposed Subscription at the illustrative issue price of RM1.05 per Unit, the Proposed Subscription will result in a fair value gain of approximately RM4.34 million which will be recognised as a profit in the statement of comprehensive income.

⁽³⁾ For information purposes, on 30 March 2015, MRCB Sentral Properties Sdn Bhd, a wholly-owned subsidiary of our Company, had completed the disposal of all that piece of freehold land known as Lot 73 Section 0070, Town and District of Kuala Lumpur, Federal Territory of Kuala Lumpur held under Geran 46222, together with a commercial development comprising five (5) blocks of four (4) to seven (7) storey commercial buildings consisting of office-cum retail space, a multi-purpose hall together with two (2) levels of car parks known as "Platinum Sentral" including all the plant and equipment, fixtures and fittings attached to them (excluding the fixtures and fittings belonging to existing tenants and third parties including those with whom the existing tenants have entered into a hire purchase and/or leasing arrangement in respect of such fittings and fixtures), and the benefits and obligations in respect of existing tenancies (collectively referred to as "Platinum Sentral") to MTB at a total disposal consideration of RM740 million, of which RM476 million had been satisfied via cash and RM264 million had been satisfied via the issuance of 206.25 million Units ("Consideration Units") at an issue price of RM1.28 per Unit ("Disposal of Platinum Sentral").

Upon completion of the Disposal of Platinum Sentral, we recognised a gain on disposal before taxation of approximately RM220.5 million in our financial statements based on the fair value of the Consideration Units of RM1.22 per Unit, representing the closing price of the Units on 30 March 2015.

As a result of the Disposal of Platinum Sentral, MQ REIT became a 31.2% associate of our Company with effect from 30 March 2015. In this regard, we have recognised a share of profits in MQ REIT for a nine (9)-month period from 30 March 2015 to 31 December 2015 in our audited financial statements for the FYE 31 December 2015.

For ease of illustrating the additional share of results in MQ REIT arising from the Proposed Subscription, we have made the following assumptions:-

- (i) *our Company will subscribe for RM152 million in value of the Placement Units under the Proposed Subscription at an illustrative issue price of RM1.05 per Unit;*
 - (ii) *our unitholdings in MQ REIT after the Proposed Subscription will increase from 31.2% as at LPD to 32.9%; and*
 - (iii) *the Proposed Subscription had also been effected on 30 March 2015.*
- ⁽⁴⁾ *Comprises incidental expenses relating to the Proposals such as regulatory fees, expenses to convene the EGM, printing, despatch, advertising expenses and other miscellaneous expenses (inclusive of GST) as well as the full amortisation of issuance costs of the Term Loan Facility.*

Based on the illustration above, our EPS for FYE 31 December 2015 would increase from 18.50 sen to 26.01 sen.

Although our Company will no longer be able to consolidate the earnings from the Property after the completion of the Proposed Disposal, our Group shall continue to benefit via our unitholdings in MQ REIT (including the new Units in MQ REIT which our Company will be subscribing for pursuant to the Proposed Subscription) in the form of income distributions and share of profits from MQ REIT. Additionally, the proceeds from the Proposed Disposal are expected to contribute positively to the earnings of our Group for future financial years, when the benefits from the utilisation of proceeds are realised, including the estimated gross interest savings of approximately RM23.75 million per annum from the repayment of borrowings of approximately RM28.43 million and the redemption of the Term Loan Facility, based on our Group's weighted average interest rate for the said borrowings of approximately 5.18% per annum as at LPD.

For information purposes, for the FYE 31 December 2015, Menara Shell had contributed net profits after taxation of approximately RM3.62 million to our Group. Nevertheless, the Proposed Disposal is only expected to be completed by the end of December 2016 and hence the loss of direct earnings contribution from Menara Shell is not expected to have a material effect on the earnings of our Group for the FYE 31 December 2016.

9. APPROVALS REQUIRED FOR THE PROPOSALS

The Proposals are subject to and conditional upon approvals/ consents being obtained from the following:-

- (i) our shareholders at an EGM to be convened;
- (ii) the unitholders of MQ REIT at a unitholders' meeting to be convened by MQ REIT;
- (iii) the SC, which was granted to MTB (on behalf of MQ REIT) via its letter dated 27 September 2016 for, *inter alia*, the following:-
 - a) the valuation of Menara Shell;
 - b) the Proposed Placement and the placement of the Placement Units to our Company and to EPF;
 - c) the issuance of the Placement Units and new Units for payment of manager's fees to MQM ("**Proposed Authority**") (collectively referred to as the "**New Units**");
 - d) listing of and quotation for the New Units on the Main Market of Bursa Securities;
 - e) the proposed increase in the approved fund size of MQ REIT pursuant to the issuance of the New Units; and
 - f) waiver from complying with paragraphs 14.04(a)(i) and (ii) of the REIT Guidelines in relation to the Proposed Placement,

subject to the following conditions:-

Conditions	Status of compliance
In relation to the Proposed Placement:-	
1) Maybank Investment Bank Berhad, CIMB Investment Bank, Hong Leong Investment Bank Berhad and MQM to inform SC of the actual number of new Units issued, the date of the issuance of the new Units and the date of the listing of and quotation for such new Units on the Main Market of Bursa Securities; and	To be complied.
2) The issuance and the listing of the new Units on the Main Market of Bursa Securities must be completed within six (6) months from the date of SC's decision letter. SC's approval is deemed lapse if MQM fails to do so within the stipulated timeframe.	To be complied.
In relation to the Proposed Authority, MQM to inform SC of the actual number of new Units issued, the date of the issuance of the new Units and the date of the listing of and quotation for such new Units on the Main Market of Bursa Securities.	To be complied.

- (iv) Bursa Securities, to be obtained by MTB (on behalf of MQ REIT) for the listing of and quotation for the New Units on the Main Market of Bursa Securities;
- (v) the security agent of the Term Loan Facility, being CIMB Investment Bank, in relation to the disposal of the Property, which was obtained on 13 September 2016;
- (vi) Shell for the novation and transfer of all the rights, benefits, interests and obligations of 348 Sentral in the Lease Agreement to MTB; and
- (vii) any other relevant regulatory authority and/ or party, if required.

The Proposed Disposal and the Proposed Subscription are inter-conditional with each other.

The Proposals are not conditional upon any other corporate proposal undertaken or to be undertaken by our Company.

10. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals 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) 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 Sdn Bhd ("KLSB") 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 ("Shareholders' Agreement") with KLSB and KSSB in relation to, *inter alia*, the proposed subscription of new ordinary shares of RM1.00 each representing a 70% equity interest in KSSB, a special purpose vehicle incorporated to undertake Project MX-1, for a subscription payment of approximately RM816.6 million.

The proposal was approved by our Company's shareholders at the EGM held on 12 February 2015.

On 8 August 2016, our Company had announced that it had entered into a supplemental shareholders' agreement with KLSB and KSSB to vary certain terms of the Shareholders' Agreement.

The proposal is expected to be completed by the second (2nd) quarter of 2017.

- (ii) Management contract between Kwasa Utama Sdn Bhd (formerly known as Kwasa Development (1) Sdn Bhd) ("**KUSB**") and our Company for the appointment of our Company 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 ("**C8 Construction**")

On 28 October 2015, our Company had announced that it had entered into a management contract with KUSB whereby KUSB had appointed our Company as the Management Contractor for the C8 Construction.

The C8 Construction was approved by our Company's shareholders at the EGM held on 21 December 2015 and the Management Contract had become unconditional on the same date.

The C8 Construction is expected to be completed by (a) 31 December 2024, or (b) the date of completion of all the contracts between KUSB and our Company (for which the first notice to proceed by KUSB were issued on or before 31 December 2024), whichever is later.

- (iii) 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 MRCB Land Sdn Bhd, 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.

On 8 January 2016, our Company had announced that the Government had, vide its letter to RJSB dated 28 December 2015, agreed to RJSB's request for an extension of time of one (1) month from 28 December 2015 until 28 January 2016 to fulfil the conditions precedent as set out in the Privatisation Agreement.

Subsequently on 26 January 2016, our Company had announced that the Government had, vide its letter to RJSB dated 22 January 2016, agreed to RJSB's request for a further extension of time until 10 February 2016 to fulfil the conditions precedent as set out in the Privatisation Agreement.

On 2 February 2016, our Company had announced that RJSB had on 29 January 2016 entered into a supplemental agreement to the Privatisation Agreement with the Government and Hartanah to vary certain clauses in the Privatisation Agreement as well as modify certain deliverables in relation to the fulfillment of conditions precedent and construction works programme as set out in the Privatisation Agreement.

The Privatisation Agreement had become unconditional on 4 February 2016 and is expected to be completed by the end of 2020.

- (iv) Private placement of up to 493,610,683 new MRCB Shares (“**Placement Shares**”), representing up to 20% of the issued and paid up share capital of MRCB

On 16 November 2015, our Company had announced 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 (“**Private Placement**”).

The first tranche of the Private Placement comprising 100,000,000 Placement Shares had been completed on 25 April 2016, following the listing of and quotation for 100,000,000 Placement Shares on the Main Market of Bursa Securities.

On 18 May 2016, our Company had announced that Bursa Securities had vide its letter dated 17 May 2016, which was received on 18 May 2016, approved an extension of time until 1 December 2016 for our Company to complete the implementation of the Private Placement.

The second tranche of the Private Placement comprising 193,625,000 Placement Shares had been completed on 22 August 2016, following the listing of and quotation for 193,625,000 Placement Shares on the Main Market of Bursa Securities.

The remaining Placement Shares will be issued in subsequent tranches.

- (v) Project delivery partner (“**PDP**”) agreement between MRCB Builders Sdn Bhd, a wholly-owned subsidiary of our Company (“**MRCB Builders**”) and KLSB (“**PDP Agreement**”)

On 26 May 2016, our Company had announced that MRCB Builders had entered into the PDP Agreement with KLSB whereby KLSB has appointed MRCB Builders as a PDP in connection with the construction and completion of common infrastructure for the Majlis Bandaraya Petaling Jaya area at the proposed Kwasa Damansara Township (“**Project**”) located on a piece of land (formerly known as Rubber Research Institute Malaysia land) in Sungai Buloh measuring approximately 2,330.42 acres, for a provisional fee of approximately RM112.28 million (excluding GST and reimbursables) (“**Proposed PDP Contract**”).

The Proposed PDP Contract is expected to become unconditional in early December 2016, whilst the Project is expected to complete by the end of year 2023.

- (vi) Proposed establishment of a long-term incentive plan of up to 10% of the issued and paid-up share capital of MRCB

On 25 August 2016, our Company had announced that it is proposing to undertake a long-term incentive plan of up to 10% of the issued and paid-up share capital of MRCB (excluding treasury shares), for the eligible employees of the MRCB Group (excluding subsidiaries which are dormant) and eligible executive directors of MRCB (“**Proposed LTIP**”).

The Proposed LTIP is expected to be implemented by the second (2nd) quarter of 2017.

11. TENTATIVE TIMELINE FOR THE PROPOSALS

Barring any unforeseen circumstances and subject to the approvals (as set out in Section 9 of Part B of this Circular) being obtained, the tentative timeline in relation to the Proposals is as follows:-

Month	Events
End November 2016	EGM to approve the Proposals
End December 2016	<ul style="list-style-type: none"> ▪ Unconditional Date ▪ Completion of the Proposals

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

Save as disclosed below, none of the directors and/ or major shareholders of our Company or any persons connected to them have any interest, whether direct and/ or indirect, in the Proposals.

EPF, a major shareholder of our Company, had vide its letter dated 17 June 2016 expressed its interest to participate in the Proposed Placement for up to 7.0% of the enlarged Units in circulation as well as to submit its bid in the bookbuilding exercise for the Proposed Placement, provided that EPF's subscription of the Placement Units will not in any way trigger a mandatory take-over offer. In view that EPF will participate in the Proposed Placement, EPF is deemed interested in the Proposed Subscription ("**Interested Major Shareholder**"). As the Proposed Disposal and the Proposed Subscription are inter-conditional, EPF is deemed interested in the Proposals and will abstain from voting in respect of its direct and/ or indirect interest in our Company on the ordinary resolutions pertaining to the Proposals 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 our Company, if any, on the ordinary resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

Datuk Shahril Ridza Ridzuan is a Non-Independent Non-Executive Director of our Company and the Chief Executive Officer of EPF. In addition, Tan Sri Azlan Zainol, the Non-Independent Non-Executive Chairman of our Company and Rohaya Mohammad Yusof, a Non-Independent Non-Executive Director of our Company, 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 Proposals (collectively referred to as the "**Interested Directors**"). Accordingly, the Interested Directors have abstained and will continue to abstain from all Board deliberations and voting in respect of the Proposals. The Interested Directors will also abstain from voting in respect of their direct and/ or indirect interest in our Company on the ordinary resolutions pertaining to the Proposals 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 our Company, if any, on the ordinary resolutions pertaining to the said Proposals to be tabled at the forthcoming EGM.

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

	<-----Direct----->		<-----Indirect----->	
	No. of MRCB Shares	%	No. of MRCB Shares	%
<u>Interested Major Shareholder</u>				
EPF	722,457,897	34.73	-	-
<u>Interested Directors</u>				
Tan Sri Azlan Zainol	120,000	*	30,000 ⁽¹⁾	*
Datuk Shahril Ridza Ridzuan	500,000	0.02	-	-
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.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

Your Board (save for the Interested Directors), after having considered all aspects of the Proposals and after careful deliberation, is of the opinion that the Proposals are in the best interests of our Company. Accordingly, your Board (save for the Interested Directors) recommends that you vote in favour of the ordinary resolutions pertaining to the Proposals 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 SPA, the rationale for the Proposals, the pro forma effects of the Proposals on our Group as well as the prospects of MQ REIT.

14. ADVISERS

RHB Investment Bank was appointed as the Principal Adviser to our Company for the Proposals on 15 June 2016.

Astramina Advisory was appointed as the Financial Advisor to our Company for the Proposals on 16 November 2015.

CBRE | WTW was appointed as the Independent Property Valuer for Menara Shell by 348 Sentral and MTB on 1 September 2015.

15. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approvals of the relevant authorities as described in Section 9 of Part B of this Circular being obtained, the Proposals are expected to be completed by the end of year 2016.

16. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Mahkota Ballroom II, BR Level, Hotel Istana Kuala Lumpur City Centre, 73, Jalan Raja Chulan, 50200 Kuala Lumpur on Wednesday, 30 November 2016 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the ordinary resolutions to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, please complete, sign and send the enclosed Form of Proxy 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 stipulated for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy does 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

INFORMATION ON MQ REIT

1. Background information

MQ REIT was constituted by a deed of trust dated 9 October 2006 entered into between MTB and MQM as the manager of MQ REIT, which includes the first supplemental deed dated 27 August 2007, the second supplemental deed dated 28 May 2013 and third supplemental deed dated 2 April 2015. As at LPD, our Company holds 31.2% equity interest and 41.0% equity interest in MQ REIT and MQM respectively.

The investment objectives of MQ REIT is to acquire and invest primarily in properties used or predominantly used for commercial purpose primarily in Malaysia with a view to provide unitholders with long-term and sustainable distribution of income and achieve long-term growth in the NAV per Unit. The principal activities of the subsidiaries of MQ REIT (special purpose entities) are to facilitate financing for MQ REIT.

As at LPD, MQ REIT's portfolio comprises ten (10) commercial buildings located in Kuala Lumpur, Selangor and Penang.

2. Fund size

As at LPD, the approved fund size is 700,000,000 Units and the issued and fully paid fund size is 661,381,000 Units.

3. Details of the special purpose entities of MQ REIT

As at LPD, the special purpose entities of MQ REIT (wholly-owned by MTB acting solely in the capacity as trustee for and on behalf of MQ REIT) are as follows:-

Name of company	Date/ Place of incorporation	Issued and paid-up share capital (RM)	Effective equity interest (%)	Principal activities
Murud Capital Sdn Bhd	3 August 2006/ Malaysia	2	100	Facilitating financing for MQ REIT
Trusmadi Capital Sdn Bhd	3 April 2008/ Malaysia	2	100	Facilitating financing for MQ REIT
Samwise Capital Sdn Bhd	22 May 2009/ Malaysia	2	100	Facilitating financing for MQ REIT
Kinabalu Capital Sdn Bhd	27 April 2011/ Malaysia	2	100	Facilitating financing for MQ REIT

INFORMATION ON MQ REIT (Cont'd)

4. Substantial unitholders' unitholdings

As at LPD, the substantial unitholders of MQ REIT and their respective unitholdings in MQ REIT are as follows:-

Name	Country of incorporation/ Nationality	<-----Direct----->		<-----Indirect----->	
		No. of Units ('000)	%	No. of Units ('000)	%
MRCB	Malaysia	206,250	31.2	-	-
CapitaCommercial Trust ("CCT")	Singapore	117,040	17.7	-	-
Quill Land Sdn Bhd	Malaysia	48,767	7.4	-	-
Quill Properties Sdn Bhd	Malaysia	45,997	6.9	-	-
Quill Estates Sdn Bhd	Malaysia	22,276	3.4	-	-
Dato' Michael Ong Leng Chun	Malaysia	55	*	117,040 ⁽¹⁾	17.7
Dato' Dr Low Moi Ing, J.P.	Malaysia	50	*	117,040 ⁽¹⁾	17.7
CapitaLand Limited	Singapore	-	-	117,040 ⁽²⁾	17.7
EPF	Malaysia	-	-	209,246 ⁽³⁾	31.6
Gapurna Sdn Bhd	Malaysia	-	-	206,250 ⁽⁴⁾	31.2
Tan Sri Mohamad Salim Fateh Din	Malaysia	-	-	206,250 ⁽⁵⁾	31.2

Notes:-

* Negligible, less than 0.1%.

⁽¹⁾ Deemed interested by virtue of his/ her interests in Quill Land Sdn Bhd, Quill Properties Sdn Bhd and Quill Estates Sdn Bhd pursuant to Section 6A of the Act.

⁽²⁾ Deemed interested by virtue of its interest in CCT pursuant to Section 6A of the Act.

⁽³⁾ Deemed interested by virtue of its interest in MRCB and units held by a discretionary fund on behalf of EPF pursuant to Section 6A of the Act.

⁽⁴⁾ Deemed interested by virtue of its interest in MRCB pursuant to Section 6A of the Act.

⁽⁵⁾ Deemed interested by virtue of his interest in Gapurna Sdn Bhd.

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INFORMATION ON MQ REIT (Cont'd)

5. Summary of financial information and commentary

The audited consolidated financial information of MQ REIT for the past three (3) FYE from 31 December 2013 to 31 December 2015 and the latest unaudited financial information for the nine (9)-month FPE 30 September 2016 are set out below:-

	<----- Audited ----->			Unaudited FPE 30 September 2016
	FYE 31 December 2013	FYE 31 December 2014	FYE 31 December 2015	
	RM('000)	RM('000)	RM('000)	
Revenue ⁽¹⁾	68,937	70,249	115,174	97,719
Income before tax	36,644	40,283	60,698	45,852
Net income	36,644	40,283	60,698	45,852
- Realised	34,537	34,163	54,021	45,852
- Unrealised	2,108	6,120	6,677	-
No. of Units which have been paid-up ('000)	390,131	390,131	661,381	661,381
NAV/ Unitholders' funds	533,460	541,251	903,855	886,614
NAV per Unit (RM) *	1.37	1.39	1.37	1.34
Total borrowings	304,887	305,113	689,721	689,366
Gearing ratio (%)	35.4	35.1	42.4	42.8
Earnings per Unit ("EPU") (sen) #	9.39	10.33	10.18	6.93
EPU (realised) (sen) #	8.85	8.76	9.06	6.93
Current ratio (times)	1.97	2.03	0.25	0.19

Notes:-

* Before the proposed final income distribution for the year.

After deducting manager's fees payable to MQM.

⁽¹⁾ Revenue comprises rental, service charges and car park income from properties and utilities costs recoverable from tenants.

Commentaries:-**FYE 31 December 2013**

The revenue for FYE 31 December 2013 decreased marginally by approximately RM0.55 million or approximately 0.80% as compared to the revenue for FYE 31 December 2012 due to higher vacancies and lower recoverability from some properties, mitigated by rental rate increases of some properties. The realised income of approximately RM34.54 million is marginally higher by approximately 0.22% mainly due to higher interest income, lower finance cost and lower administrative expenses. The overall decrease in net income is mainly attributable to a decrease in net unrealised income due to lower fair value adjustments on investment properties.

INFORMATION ON MQ REIT (Cont'd)FYE 31 December 2014

The revenue for FYE 31 December 2014 increased marginally by approximately RM1.31 million or approximately 1.90% as compared to the revenue for FYE 31 December 2013 due to rental rate increases of some properties and higher recoveries. The income before tax and net income for FYE 31 December 2014 increased by approximately RM3.64 million or approximately 9.93% due to higher net property income, higher net fair value gain on investment properties and lower tax agent fee. MQ REIT recorded a total realised income of approximately RM34.16 million for FYE 31 December 2014, a marginal decline of approximately 1.08% from the total realised income of approximately RM34.54 million in FYE 31 December 2013. MQ REIT was able to maintain its performance for the year mainly through its active asset management strategies which resulted in higher revenue year-on-year and sustainable income distribution.

FYE 31 December 2015

The revenue for FYE 31 December 2015 increased significantly by approximately RM44.93 million or approximately 63.95% as compared to the revenue for FYE 31 December 2014 mainly due to additional revenue arising from the acquisition of a commercial property known as "Platinum Sentral", higher revenue from Plaza Mont Kiara and rental rate increases in other properties. Hence, the income before tax and net income for FYE 31 December 2015 had also increased correspondingly. MQ REIT recorded a total realised income of approximately RM54.02 million for FYE 31 December 2015, an increase of approximately 58.13% from the total realised income of approximately RM34.16 million for FYE 31 December 2014. The improved performance was mainly the result of managing MQ REIT's operational cost effectively throughout the year as well as the new income contribution from Platinum Sentral after the completion of the acquisition exercise. The increase in the number of paid-up Units during the year was also due to the acquisition of Platinum Sentral which was financed via a placement of 65 million new Units as well as the issuance of 206.25 million new Units as part payment for the purchase consideration. The large increase in NAV is mainly due to the issuance of new Units as above coupled with the significant improvement in MQ REIT's net income during the year.

FPE 30 September 2016

The revenue for FPE 30 September 2016 increased by approximately RM15.12 million or approximately 18.3% as compared to the revenue for FPE 30 September 2015 mainly due to additional revenue arising from the acquisition of Platinum Sentral and rental rate increases of some properties. Property operating expenses were higher by 10.1% mainly due to the acquisition of Platinum Sentral. Overall, the net property income increased by 20.8% to RM76.7 million. Finance costs were higher by 19.4% due to additional borrowings drawn down to finance the acquisition of Platinum Sentral. The realised income of RM45.85 million was higher by 21.8% mainly due to higher net property income and higher interest income, net of higher finance costs, manager's fee and trustee's fee.

(Source: Management of MQ REIT, Annual Reports of MQ REIT for the FYE 31 December 2013 to FYE 31 December 2015 and quarterly reports on the consolidated results of MQ REIT for the FPE 31 December 2013 to FPE 31 December 2015 and FPE 30 September 2016)

MQ REIT has not adopted any accounting policy which is peculiar to the nature of the business and industry in which it is involved in.

There is no audit qualification for the financial statements of MQ REIT for FYE 31 December 2013 to FYE 31 December 2015.

6. Material contracts

MQ REIT has not entered into any material contract (not being contracts entered into in the ordinary course of business) during the two (2) years preceding the LPD.

INFORMATION ON MQ REIT (Cont'd)

7. Material litigation, claims or arbitration

MQ REIT is not involved in any material litigation, claim or arbitration, either as plaintiff or defendant, which has or would have a material and adverse effect on the financial position or business of MQ REIT and, to the best of its management's knowledge and belief, the management of MQ REIT is not aware of any proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position or business of MQ REIT.

8. Material commitments and contingent liabilities**8.1 Material commitments**

Save as disclosed below, as at 30 September 2016, the management of MQ REIT is not aware of any other material commitment contracted or known to be contracted by MQ REIT which may have a material impact on the financial position of MQ REIT:-

	RM
Approved and contracted for:- - Investment properties	3,974,447

8.2 Contingent liabilities

As at 30 September 2016, the management of MQ REIT is not aware of any contingent liability which, upon becoming enforceable, may have a material impact on the financial position of MQ REIT.

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AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015



**MRCB-QUILL REIT
(FORMERLY KNOWN AS QUILL CAPITAL
TRUST)**

**Manager's Report, Statement by Managers, Trustee's
Report and Audited Financial Statements
31 December 2015**

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Contents	Page
The Manager's report	1 - 38
Statement by manager	39
Statutory declaration	39
Trustee's report	40
Independent auditors' report	41 - 42
Statement of comprehensive income	43 - 44
Statement of financial position	45 - 46
Statement of changes in net asset value	47
Statement of cash flows	48
Notes to the financial statements	49 - 116

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

The Manager's report

MRCB Quill Management Sdn. Bhd. ("MQM") [formerly known as Quill Capita Management Sdn. Bhd. ("QCM")], being the manager (the "Manager") of MRCB-Quill REIT ("MQREIT") {formerly known as Quill Capita Trust ("QCT")}, is pleased to present the Manager's Report on MQREIT together with the audited financial statements of MQREIT for the financial year ended 31 December 2015.

MQREIT, the Manager and their principal activities

MQREIT was constituted under a Deed dated 9 October 2006 (the "Trust Deed"), by MQM as the Manager and Maybank Trustees Berhad as the trustee (the "Trustee"); a Supplemental Deed dated 27 August 2007; a Second Supplemental Deed dated 28 May 2013 and Third Supplemental Deed dated 2 April 2015, and is categorised as a real estate investment trust. MQREIT commenced its operations in 2006 and was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 8 January 2007.

The principal activity of MQREIT involves acquisition of and investment in commercial properties, primarily in Malaysia. The principal activity of each of the special purpose entities of the Group is to facilitate financing for MQREIT as disclosed in Note 22 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The Manager is a company incorporated in Malaysia. The principal activity of the Manager is to manage MQREIT. There has been no significant change in the nature of this activity during the financial year.

Manager's fees and commission

Pursuant to the Trust Deed, the Manager is entitled to receive from MQREIT:

- (i) Base fee of 0.4% per annum of the gross asset value, payable monthly in arrears;
- (ii) Performance fee of 3% per annum on the net investment income, payable semi-annually in arrears;
- (iii) Acquisition fee of 1% of the acquisition value of any asset, being authorised investments, acquired by MQREIT; and
- (iv) Divestment fee of 0.5% of the disposal value of any asset divested by MQREIT.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Manager's fees and commission (cont'd.)

The Manager's remuneration is accrued and paid in accordance with the Trust Deed. No fee or commission has been earned by the Manager in managing MQREIT other than as disclosed in Note 7 to the financial statements.

During the financial year, the Manager did not receive any soft commission (such as goods or services) from its broker, by virtue of transaction conducted by MQREIT.

Term of Trust

MQREIT will continue its operations until such time as determined by the Trustee and the Manager as provided under Clause 26 of the Trust Deed.

Investment objective

The investment objective of MQREIT is to acquire and invest in commercial properties primarily in Malaysia with a view to provide long-term growth and sustainable distribution of income to unitholders and to achieve long-term growth in the net asset value per unit of MQREIT.

Investment strategies

The Manager plans to achieve the key investment objectives while seeking additional income growth and enhancement of MQREIT's property portfolio over time through the strategies as mentioned below:

(a) Acquisition growth and portfolio management strategy

The Manager seeks to selectively acquire additional properties that meet the investment criteria to enhance yields and return while improving portfolio diversification. The acquisition strategy takes into consideration rental yield, occupancy and tenant characteristics, location, value-adding opportunities, and building and facilities specifications.

The Manager intends to hold the properties on a long-term basis. However, at the appropriate time, the Manager will recommend an adjustment of the portfolio mix through acquisition or sale of one or more of the authorised investments or commercial properties with the objective of maximising total returns to unitholders. The proceeds from such sales would be either deployed to purchase other attractive authorised investments or, in the absence of appropriate investments, distributed to unitholders.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Investment strategies (cont'd.)**(b) Active asset management strategy**

The Manager intends to increase the property yield of existing commercial space and correspondingly maximising returns from the existing commercial space by implementing the following:

- (i) Maximisation of tenant retention through proactive tenant management and efficient property related services;
- (ii) Diversification of tenant base to balance exposure to certain business sectors that are more susceptible to general economic cycles;
- (iii) Implementation of proactive marketing plans;
- (iv) Continued minimisation of property expenses without compromising on the quality of service; and
- (v) Asset enhancement by constantly improving and maintaining the quality and physical condition of the properties in MQREIT's portfolio.

(c) Capital management strategy

The Manager employs appropriate debt and equity financing policies in financing acquisition and/or asset enhancements, and utilises appropriate hedging strategies to optimise risk adjusted returns to unitholders.

The Manager aims to optimise MQREIT's capital structure and cost of capital within the borrowing limits set out in the Guidelines on Real Estate Investment Trusts issued by Securities Commission ("SC REIT Guidelines") and intends to use a combination of debt and equity to fund future acquisitions and improvement works. The strategies involve:

- (i) Adopting and maintaining an optimal gearing level; and
- (ii) Adopting an active interest rate management strategy to manage the risk associated with changes in interest rates,

while maintaining flexibility in MQREIT's capital structure to meet future investment and/or capital expenditure requirements.

There were no changes in the strategies adopted during the financial year, which are in line with those as stated in the prospectus dated 11 December 2006.

As these strategies still remain relevant for MQREIT under the current market conditions, the Manager will continue to adopt them in the coming year.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Investment policies

MQREIT's investments are subject to the investment limits imposed by the SC REIT Guidelines.

The Manager will continue to comply with the SC REIT Guidelines and other requirements as imposed by the Securities Commission ("SC") from time to time and the Trust Deed.

Performance of MQREIT

(i) Review of financial results for the financial year ended 31 December 2015

	Actual Financial year ended 31 December 2015 ("FY 2015") RM	Actual Financial year ended 31 December 2014 ("FY 2014") RM
Net property income	90,271,639	53,325,178
Net realised income	54,020,625	34,162,743
Realised earnings per unit ("EPU") [(sen)]	9.06	8.76
Total distribution relating to the income of the financial year	50,919,471	32,692,978
Distribution per unit ("DPU") [(sen)]	8.47	8.38

As compared with the last financial year, FY 2014, net property income of RM90.3 million is higher by 69.3% mainly due to additional income arising from the acquisition of Platinum Sentral on 30 March 2015 and rental rate increases for certain buildings. The realised income of RM54.02 million is higher by 58.1% mainly due to higher net property income by 69.3% and gain on divestment of Quill Building 10, offset by higher finance costs by 99.1% due to additional borrowings drawdown as stated in Note 20(c) to the financial statements, higher manager's fees, trustee's fee and administrative expenses. The higher administrative expenses comparative to FY 2014 is mainly due to writeback of over accrued fee in the FY 2014.

Correspondingly, realised EPU for the FY 2015 of 9.06 sen was higher by 3.4% compared to realised EPU of 8.76 sen recorded for the FY 2014.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Performance of MQREIT (cont'd.)

(i) Review of financial results for the financial year ended 31 December 2015 (cont'd.)

MQREIT has achieved a total DPU of 8.47 sen for the FY 2015. Income distribution of 4.10 sen per unit being the distribution of income for the period of 1 January 2015 to 30 June 2015 were paid on 15 April 2015 (of 1.88 sen per unit) and 28 August 2015 (of 2.22 sen per unit) respectively. Proposed final gross distribution of 4.37 sen per unit relating to the distribution of income for the period of 1 July 2015 to 31 December 2015, will be payable on 29 February 2016 to all unitholders as at book closure date on 11 February 2016.

The Manager's active asset management strategy throughout the year has ensured successful tenancy renewals for most of the leases due in 2015. MQREIT's occupancy rate for the year stood at 97.5% in terms of Net Lettable Area ("NLA").

The performance of MQREIT for the FY 2015 was in line with its investment objective.

(ii) Analysis of MQREIT's performance based on changes in net asset value ("NAV") and NAV per unit since the previous financial year

For the FY 2015, MQREIT's total NAV and NAV per unit after proposed final income distribution changed to RM874.95 million and RM1.3229 per unit (2014: RM524.55 million and RM1.3446 per unit), mainly due to net change in fair values of investment properties of RM6.68 million (2014: RM6.12 million), net changes in fair values of derivatives and balance of undistributed income retained.

(iii) Analysis of MQREIT's performance based on changes in price since the previous financial year

For the FY 2015, the unit price of MQREIT has decreased from RM1.17 at the close of trade as at 31 December 2014 to RM1.08 at the close of trade as at 31 December 2015. The Manager believes that the movement in price is due to changes in market sentiment.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

Composition of investment portfolio

As at 31 December 2015, MQREIT's portfolio comprised ten commercial buildings. There was one acquisition namely Platinum Sentral and one disposal, Quill Building 10 ("QB10") during the financial year ended 31 December 2015. The details of the portfolio are as follows:

(a) Quill Building 1 - DHL 1 ("QB1")	
Address/location	3509 & 3511 Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
Property type and age	Commercial building, 13 years
Description	4-storey office building together with a sub-basement and a basement car park
Tenure	Term in perpetuity
Net lettable area ("NLA")	92,284 square feet ("sq. ft.")
Existing use	Commercial building
Parking space	315 lots
Date of acquisition	20 November 2006
Acquisition price	RM52,100,000
Tenant	DHL Information Services (Asia-Pacific) Sdn. Bhd.
Tenancy period	7 + 3 + 3 + 2 years from 1 April 2002 5 + 5 years from 1 January 2016
Occupancy rate	100%
Encumbrances	Charged to Malaysian Trustees Berhad as security agent
Date of last valuation	31 December 2015
Market value/ net carrying amount	
as at 31 December 2015	Note (i)
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

Composition of investment portfolio (cont'd.)

(b) Quill Building 4 - DHL 2 ("QB4")	
Address/location	3509 & 3511, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
Property type and age	Commercial building, 10 years
Description	4-storey office building together with a sub-basement and 2 levels basement car park
Tenure	Term in perpetuity
Net lettable area ("NLA")	99,183 sq. ft.
Existing use	Commercial building
Parking space	309 lots
Date of acquisition	20 November 2006
Acquisition price	RM57,000,000
Tenant	DHL Information Services (Asia-Pacific) Sdn. Bhd.
Tenancy period	7 + 3 + 2 years from 1 April 2006 5 + 5 years from 1 January 2016
Occupancy rate	100%
Encumbrances	Charged to Malaysian Trustees Berhad as security agent
Date of last valuation	31 December 2015
Market value/ net carrying amount as at 31 December 2015	Note (i)
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

Note (i) The respective pieces of land on which QB1 and QB4 are situated have been amalgamated on 14 August 2008 pursuant to the conditions imposed by the SC during the initial public offering of MQREIT. As such, the valuations for QB1 and QB4 have since been carried out based on the amalgamated properties. Based on the latest valuation dated 31 December 2015, the total aggregate valuation of the two properties amounted to RM126,000,000.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

Composition of investment portfolio (cont'd.)

(c) Quill Building 2 - HSBC ("QB2")	
Address/location	3500, Jalan Teknokrat 3, 63000 Cyberjaya, Selangor Darul Ehsan
Property type and age	Commercial building, 12 years
Description	4-storey office building together with a sub-basement car park
Tenure	Term in perpetuity
Net lettable area ("NLA")	184,453 sq. ft.
Existing use	Commercial building
Parking space	505 lots
Date of acquisition	20 November 2006
Acquisition price	RM107,500,000
Tenant	HSBC Electronic Data Processing (Malaysia) Sdn. Bhd.
Tenancy period	6 + 3 + 2 + 5 + 3 years from 10 November 2003
Occupancy rate	100%
Encumbrances	Charged to Malaysian Trustees Berhad as security agent
Date of last valuation	31 December 2015
Market value/ net carrying amount	
as at 31 December 2015	RM120,700,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

Composition of investment portfolio (cont'd.)

(d) Quill Building 3 - BMW ("QB3")	
Address/location	3501, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
Property type and age	Commercial building, 11 years
Description	4-storey office building together with a level of sub-basement and a level of basement car park
Tenure	Term in perpetuity
Net lettable area ("NLA")	117,198 sq. ft.
Existing use	Commercial building
Parking space	340 lots
Date of acquisition	20 November 2006
Acquisition price	RM59,400,000
Major tenant and tenancy details:	
Tenant	BMW Asia Technology Centre Sdn. Bhd.
Tenancy period	Ground floor: 5 + 3 + 3 years from 1 December 2004 First floor: 5 + 3 + 1 + 1 + 0.25 years from 1 December 2004 10 years from 7 July 2015
Tenant	BMW Malaysia Sdn. Bhd.
Tenancy period	5 + 3 + 1 + 1 + 0.25 years from 1 December 2004 10 years from 7 July 2015
Tenant	PGS Data Processing & Technology Sdn. Bhd.
Tenancy period	5 + 5 + 5 years from 1 January 2007
Tenant	Agensi Inovasi Malaysia
Tenancy period	2 + 0.5 + 0.5 + 1.5 years from 1 July 2011 2 + 2 years from 1 January 2016
Tenant	Huawei Technologies (Malaysia) Sdn. Bhd.
Tenancy period	3 + 3 years from 1 February 2012
Occupancy rate	80%
Encumbrances	Nil
Date of last valuation	31 December 2015
Market value/ net carrying amount	
as at 31 December 2015	RM75,500,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

Composition of investment portfolio (cont'd.)

(e) Wisma Technip ("WT")	
Address/location	241, Jalan Tun Razak, 50400 Kuala Lumpur
Property type and age	Office building, 22 years
Description	12-storey office building with a mezzanine floor and 3 split-levels basement car park
Tenure	Term in perpetuity
Net lettable area ("NLA")	233,021 sq. ft.
Existing use	Office building
Parking space	308 lots
Date of acquisition	3 September 2007
Acquisition price	RM125,000,000
Tenant	Technip Geoproduction (M) Sdn. Bhd.
Tenancy period	5 + 2 + 5 + 2 years from 1 January 2007
Occupancy rate	100%
Encumbrances	Charged to Hong Leong Investment Bank Berhad as security agent
Date of last valuation	31 December 2015
Market value/ net carrying amount as at 31 December 2015	RM172,000,000
Name of valuer	CH Williams Talhar & Wong Sdn. Bhd.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

Composition of investment portfolio (cont'd.)

(f) Commercial retail shops and car park lots of Plaza Mont' Kiara (part of Plaza Mont' Kiara) [{"PMK"}]	
Address/location	Plaza Mont' Kiara 2, Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur
Property type and age	Commercial lots and car parks, 13 years
Description	An integrated retail/office commercial units located in Plaza Mont' Kiara, within the ground floors of Blocks A & B, Blocks C & D and at the basement and ground floor of Block E. The car park lots are located in Blocks A, B, C, D and E.
Tenure	Term in perpetuity
Net lettable area ("NLA")	73,408 sq. ft. (excluding 1,499 car park lots)
Existing use	Retail and car park
Parking space	1,499 lots
Date of acquisition	3 September 2007
Acquisition price	RM90,000,000
Tenant	Multi-tenanted retail tenants from various sectors, such as banking, food & beverages, beauty & fashion and convenient stores
Tenancy period	Ranging between 1 to 3 years tenancy
Occupancy rate	92%
Encumbrances	Charged to Hong Leong Investment Bank Berhad as security agent
Date of last valuation	31 December 2015
Market value/ net carrying amount as at 31 December 2015	RM114,000,000
Name of valuer	CH Williams Talhar & Wong Sdn. Bhd.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

Composition of investment portfolio (cont'd.)

(g) Quill Building 5 - IBM ("QB5")	
Address/location	3500, Jalan Teknokrat 3, 63000 Cyberjaya, Selangor Darul Ehsan
Property type and age	Commercial buildings, 8 years
Description	5-storey office building with a level of sub-basement and 1 1/2 levels of basement car park
Tenure	Term in perpetuity
Net lettable area ("NLA")	81,602 sq. ft.
Existing use	Commercial building
Parking space	241 lots
Date of acquisition	14 March 2008
Acquisition price	RM43,000,000
Tenant	IBM Malaysia Sdn. Bhd.
Tenancy period	3 + 2 + 1.4 + 3 + 3 years from 15 January 2008 3 + 3 + 3 years from 1 June 2011
Occupancy rate	91%
Encumbrances	Charged to Hong Leong Investment Bank Berhad as security agent
Date of last valuation	31 December 2015
Market value/ net carrying amount	
as at 31 December 2015	RM45,200,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

Composition of investment portfolio (cont'd.)

(h) Quill Building 8 - DHL XPJ ("QB8")	
Address/location	8, Jalan Pemaju U1/15, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan
Property type and age	Industrial building, 9 years
Description	3-storey office building with an annexed single storey detached warehouse
Tenure	Term in perpetuity
Net lettable area ("NLA")	65,205 sq. ft.
Existing use	Office building
Parking space	Nil
Date of acquisition	25 March 2008
Acquisition price	RM28,800,000
Tenant	DHL Express (Malaysia) Sdn. Bhd.
Tenancy period	5 + 5 years from 1 July 2006
Occupancy rate	92%
Encumbrances	Charged to Hong Leong Investment Bank Berhad as security agent
Date of last valuation	31 December 2015
Market value/ net carrying amount	
as at 31 December 2015	RM26,400,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

Composition of investment portfolio (cont'd.)

(i) Tesco Building, Penang ("Tesco")

Address/location	1, Lebuah Tengku Kudin 1, 11700 Penang
Property type and age	Commercial building, 11 years
Description	3-storey purpose built hypermarket
Tenure	Term in perpetuity
Net lettable area ("NLA")	275,020 sq. ft.
Existing use	Commercial building
Parking space	1,050 lots
Date of acquisition	7 November 2008
Acquisition price	RM132,000,000
Tenant	Tesco Stores (Malaysia) Sdn. Bhd.
Tenancy period	29 October 2004 to 31 August 2032
Occupancy rate	100%
Encumbrances	Charged to Malaysian Trustees Berhad as security agent
Date of last valuation	31 December 2015
Market value/ net carrying amount	
as at 31 December 2015	RM140,000,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

Composition of investment portfolio (cont'd.)

(j) Platinum Sentral	
Address/location	Platinum Sentral, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur
Property type and age	Commercial building, 4 years
Description	A commercial development consisting of 5 blocks of 4 – 7 storey commercial buildings consisting of office-cum retail space, a multi-purpose hall together with 2 levels of car park
Tenure	Term in perpetuity
Net lettable area ("NLA")	476,370 sq. ft.
Existing use	Commercial building
Parking space	637 lots
Date of acquisition	30 March 2015
Acquisition price	RM740,000,000
Major tenant and tenancy details:	
Tenant	Small and Medium Enterprise Corporation Malaysia
Tenancy period	15 + 3 years from 1 July 2011
Tenant	SBM Malaysia Sdn. Bhd.
Tenancy period	3 + 3 + 3 + 3 + 3 years from 28 October 2011
Tenant	Suruhanjaya Pengangkutan Awam Darat
Tenancy period	3 + 3 + 3 + 3 + 3 years from 1 March 2012
Tenant	Remaining: Multi-tenanted office-cum retail tenants from various sectors from government-linked office, education, food & beverages, fitness and convenient stores.
Tenancy period	Ranging between 1 to 3 years tenancy
Occupancy rate	100%
Encumbrances	Charged to Pacific Trustees Berhad as security agent
Date of last valuation	31 December 2015
Market value/ net carrying amount	
as at 31 December 2015	RM750,000,000
Name of valuer	CH Williams Talhar & Wong Sdn. Bhd.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

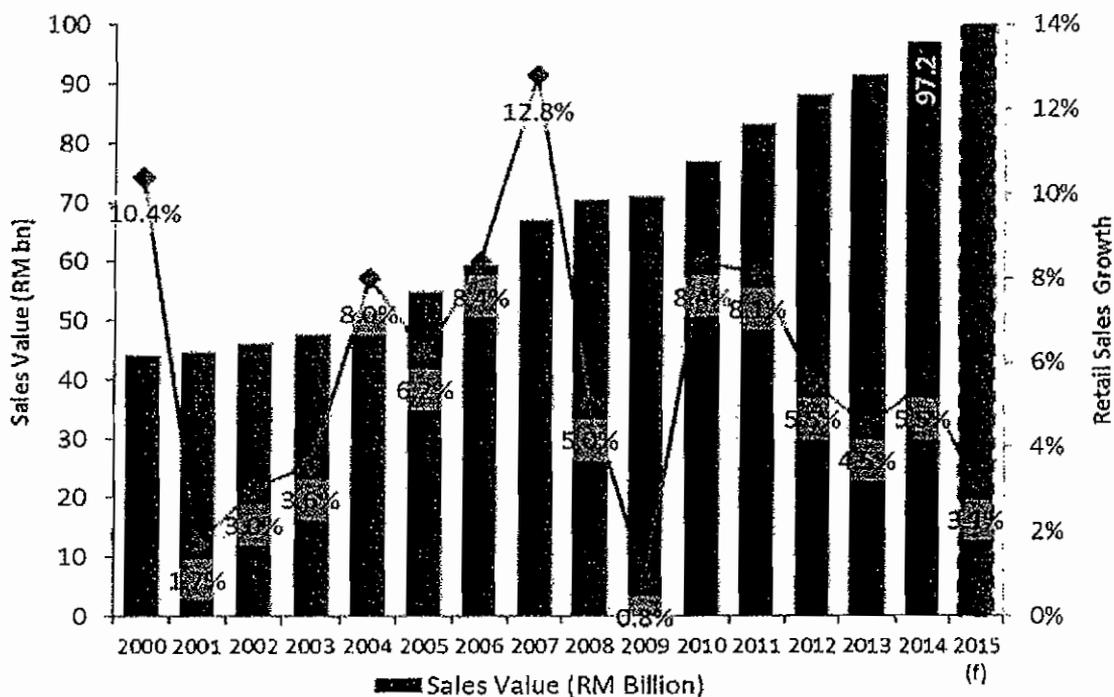
MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

Review of the market in which MQREIT invests in during the period and future prospects of the market

1 Retail Sector

The retail sector suffered from deteriorating consumer sentiment during the year and is expected to experience one of the slowest growths in recent years. The initial forecast for the year of 6% has been revised downward several times to the current estimate of 3.1% for 2015. Retail sales has been affected by the imposition of the Goods & Service Tax ("GST") in April 2015 and households' purchasing power had been further eroded by the decline in the value of the Ringgit, which suffered one of the worse fall amongst regional currencies against the US Dollar. The high household debt to Gross Domestic Product ("GDP") ratio of 88.1% in August (2014: 86.8%) also cast a shadow over retail sales.

Figure 1.0: Retail Sales Growth



Source: DTZ Consulting & Research, Retail Group Malaysia

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

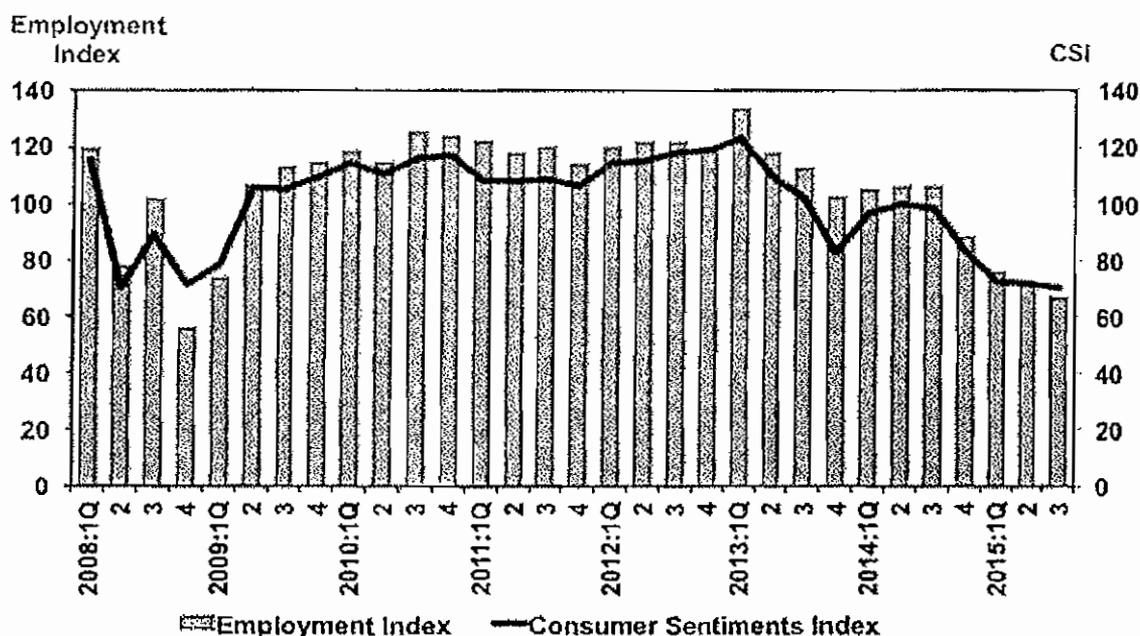
MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Review of the market in which MQREIT invests in during the period and future prospects of the market (cont'd.)

1 Retail Sector (cont'd.)

After barely touching the 100-point mark in 2Q 2014 (100.1-points), the Consumer Sentiment Index ("CSI") trended downward. 4Q 2014 recorded an index of 83.0-points, and by 3Q 2015, Malaysian Institute of Economic Research ("MIER") reported the CSI to be at a new low of 70.2-points. The institute further noted due to the deteriorating income, consumers are putting their major spending plans on hold.

Figure 1.1: Consumer Confidence



Source: MIER

1.1 Kuala Lumpur

Kuala Lumpur houses more than 25 million sq. ft. of retail space, half of the overall supply in Klang Valley. Retail space per capita in Klang Valley stands at 7.5 sq. ft. per person, a fairly high ratio as the country's capital and as a centre of key economic activities.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Review of the market in which MQREIT invests in during the period and future prospects of the market (cont'd.)

1 Retail Sector (cont'd.)

1.1 Kuala Lumpur (cont'd.)

The average occupancy rate of retail malls in Kuala Lumpur was generally stable in 2014 – 2015, hovering between 91% and 92%. Owners and operators continue to invigorate their retail spaces to stay competitive amidst the large supply of retail space. In early 2015, Kuala Lumpur saw some significant activities including the closure of the old mall BB Plaza due to the MRT construction, the re-opening of several refurbished malls – Jakel Textile Mall – the refurbished and rebranded former CapSquare Mall and Sunway Putra Mall, (previously known as The Mall) which opened with an impressive 80% occupancy rate. Other notable new malls in Greater Kuala Lumpur include Mitsui Outlet Park in Sepang – the first outlet mall in Greater Kuala Lumpur, and Ikea Cheras, opened late 2015.

Notwithstanding the general poor short term retail sentiment, large supply of retail spaces are expected to enter the market within the next 2 years, with more being planned for the future.

Rental rates for retail spaces in the city centre retail malls range between RM7 – RM25 per sq. ft. per month. Currently, most malls experiencing a slower rental growth at the point of renewals as a result of rising retail supply as well as weak retail sales which has affected the ability of retailers to pay higher rents. In this regard, most retail malls, including the most prime ones, are required to constantly revive their tenant mixes and concepts to adapt to the more challenging market conditions.

Table 1.0 Notable Upcoming Malls in Klang Valley

Building name	Expected Completion	Net Floor Area (sq. ft.)
Glo Damansara	2016	350,000
Empire City	2017	1,500,000
Sunway Velocity	2018	800,000
Pavilion (extension)	2019	225,000
MyTown	2020	1,100,000

Source: DTZ Consulting and Research

The short term retail outlook is expected to be challenging as the higher cost of living is impacting household disposable income with the employment prospect being murky at best. Malaysians are feeling the heat of higher price of goods due to hikes in toll roads and public transport as well as the drop in the value of the Ringgit. The Ringgit is not expected to improve significantly in the near future, and consumers' income has certainly not moved in tandem with the increased cost of living.

In this current environment, upcoming malls are expected to have a challenging time committing new tenants, at previously targeted rents.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Review of the market in which MQREIT invests in during the period and future prospects of the market (cont'd.)

1 Retail Sector (cont'd.)

1.2 Penang

As of 2Q 2015, the National Property Information Centre ("NAPIC") reported that the total retail space supply in Penang stood at 18.0 million sq. ft.. This supply encompasses retail malls, commercial complexes and hypermarkets with retail malls having a total retail space of approximately 11.5 million sq. ft..

The total retail space in Penang has remained the same since 2014. George Town holds the most numbers of retail malls (20 malls) providing 28% (4.9 million sq. ft.) of the overall supply. This is followed by Seberang Prai, housing 17% or 3.0 million sq. ft. of overall supply. Major retail malls in Penang are listed below in Table 1.1:

Table 1.1 Major Retail Malls in Penang

Retail Malls	Location	NLA
		(sq. ft.)
Gurney Plaza	George Town	875,000
Gurney Paragon	George Town	700,000
One Stop Midlands Park	George Town	500,000
Prangin Mall	George Town	870,000
First Avenue	George Town	400,000
Komtar	George Town	660,000
Queensbay Mall	Bayan Lepas	1,000,000
Bukit Jambul Complex	Bayan Lepas	600,000
Sunway Carnival Mall	Seberang Jaya	570,000
Megamall Penang	Seberang Jaya	1,600,000
Perda City Mall	Bukit Mertajam	790,000
Aeon Mall	Bukit Mertajam	600,000

Source: DTZ Consulting and Research

Penang's current population as estimated by the Department of Statistics Malaysia ("DOSM") is approximately 1.7 million, thus indicating its retail space per capita is 6.11 sq. ft..

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Review of the market in which MQREIT invests in during the period and future prospects of the market (cont'd.)

1 Retail Sector (cont'd.)

1.2 Penang (cont'd.)

Table 1.2 Notable Upcoming Retail Malls in Penang

Retail Malls	NLA	Expected Completion
	(sq. ft.)	
Designer Village	400,000	2016
The Pearl City Mall	300,000	2016
IKEA	n/a	2018
The Light Waterfront Mall	1,000,000	2022
Penang World City	1,000,000	2025

Source: DTZ Consulting and Research

Rental rates of retail malls in Penang have stayed competitive with prime malls commanding overall rental of approximately between RM6 per sq. ft. – RM8 per sq. ft. per month, while individual prime shop lots are fetching rental rates of RM15 per sq. ft. – RM20 per sq. ft. per month.

Penang is experiencing an increased commercial vibrancy and the mall lifestyle is catching up among the local population supported by influx of domestic and foreign tourists. In view of the above, more retail malls are expected to come on board in the coming years, mainly in the Penang mainland where there has been an increase in property development activities.

2 Office Sector

2.1 Kuala Lumpur

The office sector in Kuala Lumpur experienced a stable occupancy rate above 80% despite the 3.4 million sq. ft. of office space that came into the market in 2Q 2015. The largest inflow of NLA of 1.4 million sq. ft. was contributed by the completion of Q Sentral, a strata titled project at KL Sentral.

The total office space in Kuala Lumpur now stands at 76 million sq. ft.. New office buildings completed in 2015 are tabulated in Table 2.0. In addition, approximately another 2 million sq. ft. are expected to be completed in early 2016.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Review of the market in which MQREIT invests in during the period and future prospects of the market (cont'd.)

2 Office Sector (cont'd.)

2.1 Kuala Lumpur (cont'd.)

Table 2.0 New Office Buildings Completed in Kuala Lumpur in 2015

Buildings	Location	NLA
		(sq. ft.)
Q Sentral	KL Sentral	1,400,000
The Vertical Business Suites I & II	Jalan Kerinchi	808,000
Naza Tower	Jalan Binjai	580,000
Ilham Tower	Jalan Binjai	426,200
Centara Tower	Jalan Tuanku Abdul Rahman	200,000
	TOTAL	3,414,200

Source: DTZ Consulting and Research

Approximately 9 million sq. ft. of office space are expected to enter the market within the next 2 years. KL Eco City and The Vertical (2 towers) will contribute the largest amount of office space with an estimated 2.3 million sq. ft. each.

Mega projects such as Tun Razak Exchange and Warisan Merdeka are expected to enter the market as early as 2020, assuring no shortage of office space in Kuala Lumpur in the mid future.

Average occupancy rate in 2015 thus far remains healthy at 81%, despite the large supply of office space entering the market. The average rental rate in the city centre has also remained stable at RM6.25 per sq. ft. To stay competitive in the midst of a tenant-favoured market, building owners are refurbishing older buildings to improve the building's attractiveness while offering better services and competitive rental rates.

Table 2.1 Rental Rates of Selected Office Buildings in Kuala Lumpur, 2015

Buildings	Average Rental
	(RM per sq. ft.)
Naza Tower	7.50
Ilham Baru Tower	7.50
Standard Chartered Tower	6.50
Citibank Tower	7.00
IMC Tower	7.80

Source: DTZ Consulting and Research

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Review of the market in which MQREIT invests in during the period and future prospects of the market (cont'd.)

2 Office Sector (cont'd.)

2.1 Kuala Lumpur (cont'd.)

Capital value has seen a marginal increase in 2015 and is currently at RM933 per sq. ft.. Office building transactions in 2015 are tabled below:

Table 2.2 Office Transactions in Kuala Lumpur, 2015

Buildings	Price	Price
	(RM million)	(RM per sq. ft.)
Quill 10	27.3	156
Plaza Pekeliling	28.28	196
Menara Raja Laut	220	553
Empire City (Block N)	155.35	650
Wisma AmanahRaya	78	507
Menara Shell	640	1,129

Source: DTZ Consulting and Research

The current economic challenges that befall the country due to the plunging crude oil price, the depreciation value of the Ringgit as well as political uncertainties have made adverse impact on the office sector especially the oil and gas sector. The banking sector is also affected with local banks initiating rationalisation exercises to reduce their workforce.

Overall, the office sector is expected to remain challenging in the near future. Nevertheless, the Ringgit's depreciation and the competitive cost of occupancy in Malaysia will continue to provide a plus point for Multinational Corporations ("MNCs") seeking a presence in the region, especially with the commencement of the ASEAN Economic Community in 2016.

2.2 Cyberjaya

With the slow erosion of its MSC advantage due to the proliferation of new competitors with such accreditation elsewhere, Cyberjaya is making a significant step forward from the known ICT hub of Malaysia to become a global technological hub. Cyberview Sdn. Bhd. alongside Setia Haruman Sdn. Bhd. are shifting their focus to tech hub-based development after receiving a new mandate from the government to transform the city to a tech hub. Cyberjaya City Centre, a mega project sandwiched between Cyberjaya and Putrajaya, will be the catalyst project under the Cyberjaya Global Tech Hub Blueprint.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Review of the market in which MQREIT invests in during the period and future prospects of the market (cont'd.)

2 Office Sector (cont'd.)

2.2 Cyberjaya (cont'd.)

In the light of Cyberjaya's new focus, it is expected that there will be new office developments in the pipeline to cater for such purposes. The current total office supply in Cyberjaya stands at 8.6 million sq. ft. (approximately 60 office buildings) some of which are tabled below:

Table 2.3 Notable Office Supply in Cyberjaya

Buildings	NLA	Completion Year
	(sq. ft.)	
Prima 10	100,272	2010
NeoCyber Office Tower	262,748	2010
MKN Embassy Techzone (Phase 3A - Block I)	206,000	2011
Bangunan Lestari	360,000	2011
Shaftsbury Square - iTech Tower	188,000	2014
Shaftsbury Square - MCMC Tower 1 & 2	400,000	2014
Quill 18	523,000	2014

Source: DTZ Consulting and Research

Cyberjaya's IT infrastructure, incentives and attractive rental rates are considered its strong points when compared with Kuala Lumpur or Petaling Jaya. Typical rental rates in Cyberjaya are still competitive ranging from RM2 per sq. ft. per month for bare units while furnished units command rental rates of between RM3 per sq. ft. – RM5 per sq. ft..

Cyberjaya's average occupancy rates have also remained stable at approximately 76%. An estimated 65% of companies in Cyberjaya are MSC status companies, while others include administrative operations, food & beverages, as well as banks and financial institutions.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

Review of the market in which MQREIT invests in during the period and future prospects of the market (cont'd.)

2 Office Sector (cont'd.)

2.2 Cyberjaya (cont'd.)

Table 2.4 Rental Rate of Selected Office Buildings in Cyberjaya in 2015

Buildings	Rental
	(RM per sq. ft.)
SME Technopreneur Centre 1	2.50
SME Technopreneur Centre 2	3.50
Prima 10	4.20
Century Square (Block 2330 & 2250)	4.50
Wisma Mustapha Kamal (Tower 2)	4.50
Axis Eureka	4.90

Source: DTZ Consulting and Research

Cyberjaya is expected to continue growing as an office location especially for Information Technology ("IT") companies, aligned with becoming a global tech hub. The development of a MRT station near the upcoming catalyst project, Cyberjaya City Centre is also expected to increase the attractiveness of Cyberjaya as an IT tech hub. The MRT line will connect Cyberjaya and Putrajaya to Sungai Buloh, passing through KL city by 2022. Thus, commuting to the satellite city of Cyberjaya will be much easier, resulting in higher traffic and increased vibrancy to the city. In addition, retail and residential facilities being completed will complement the existing commercial ecology of the city.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

Income distribution

In line with the Trust Deed, MQREIT intends to distribute at least 90% (or any other higher percentage at the discretion of the Manager) of its distributable income at least semi-annually, or at such other intervals as the Manager may determine.

During the year, income distribution of 4.10 sen per unit being the distribution of income for the period of 1 January 2015 to 30 June 2015 were paid on 15 April 2015 (of 1.88 sen per unit) and 28 August 2015 (of 2.22 sen per unit) respectively.

The Manager has declared a final gross distribution for the financial year ended 31 December 2015 of 4.37 sen per unit, being distribution of income for the period of 1 July 2015 to 31 December 2015. The said declared distribution will be payable on 29 February 2016.

The total distribution declared is 8.47 sen per unit, totalling RM50,919,471 representing approximately 94.3% of the net realised income for the financial year ended 31 December 2015. The details of the total distribution for the financial year ended 31 December 2015 are disclosed in Note 12 to the financial statements.

Income distributed to resident individuals, non-resident individuals, resident institutional investors, non-resident institutional investors and non-resident companies are subject to withholding tax.

The applicable tax rates for income distribution payable in year 2015 are as follows:

Resident and non-resident individuals	10%
Resident and non-resident institutional investors	10%
Resident companies (flow through)	0%
Non-resident companies	25%

	Before proposed final income distribution RM	After proposed final income distribution RM
Net asset value ("NAV") per unit	1.3666	1.3229

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Breakdown of unitholdings as at 31 December 2015

Unit class	Number of unitholders	Number of unitholdings	Percentage of unitholdings %
Less than 100	40	660	0.00
100 to 1,000	503	375,540	0.06
1,001 to 10,000	1,742	9,677,900	1.46
10,001 to 100,000	1,068	37,827,000	5.72
100,001 to less than 5% of approved fund size	214	195,445,900	29.55
5% and above of approved fund size	4	418,054,000	63.21
	<u>3,571</u>	<u>661,381,000</u>	<u>100.00</u>

Reserves and provisions

There were no material transfers to and from reserves or provisions during the financial year other than as disclosed in the statement of changes in NAV.

Directors

The names of the directors of the Manager in office since the date of last report and the date of this report are:

Dato' Mohammed Bin Haji Che Hussein	(resigned on 31 March 2015)
Dato' Dr. Low Moi Ing, J.P.	(appointed on 12 June 2006)
Dato' Michael Ong Leng Chun	(appointed on 12 June 2006)
Wen Khai Meng	(resigned on 31 March 2015)
Chong Lit Cheong	(resigned on 31 March 2015)
Datuk Dr. Mohamed Arif bin Nun	(appointed on 25 September 2006)
Aw Hong Boo	
(alternate director to	
Dato' Dr. Low Moi Ing, J.P.)	(resigned on 4 November 2015)
Foong Soo Hah	(appointed on 11 April 2013)
Kwan Joon Hoe	(appointed on 31 March 2015)
Mohd Imran Bin Tan Sri Mohamad Salim	(appointed on 31 March 2015 and resigned on 27 November 2015)
Ann Wan Tee	(appointed on 31 March 2015)
Dr. Roslan Bin A. Ghaffar	(appointed on 16 June 2015)
Dato' Thanarajasingam Subramaniam	(appointed on 31 December 2015)
Datuk Seri Saw Choo Boon	(appointed on 22 January 2016)

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Directors' benefit

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Manager was a party, whereby the directors of the Manager might acquire benefits by means of the acquisition of units in or debentures of MQREIT or any other body corporate.

Since the end of the previous financial year, no director of the Manager has received or become entitled to receive a benefit by reason of a contract made by MQREIT or a related corporation with any director of the Manager or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except for units held in MQREIT as disclosed in Note 28 to the financial statements and the related party transactions as disclosed in Note 31 to the financial statements.

Directors' interests

	Units as at 1 January 2015	Number of units acquired/ (disposed)	Units as at 31 December 2015
Direct interest:			
Dato' Dr. Low Moi Ing, J.P.	50,000	-	50,000
Dato' Michael Ong Leng Chun	55,000	-	55,000
Datuk Dr. Mohamed Arif Bin Nun Aw Hong Boo *	10,000	-	10,000
(alternate director to Dato' Dr. Low Moi Ing, J.P.)	50,000	-	- *
Indirect interest:			
Dato' Dr. Low Moi Ing, J.P. (a)	117,040,000	-	117,040,000
Dato' Michael Ong Leng Chun (b)	117,040,000	-	117,040,000

(a) Deemed interest by virtue of her direct shareholding in Quill Properties Sdn. Bhd. ("QPSB"), Quill Land Sdn. Bhd. ("QLSB") and Quill Estates Sdn. Bhd. ("QESB").

(b) Deemed interest by virtue of his direct shareholding in QPSB, QLSB and QESB.

* As announced on 4 November 2015, and with effect from even date, Mr Aw Hong Boo has resigned as Non-Independent and Non-Executive Director; to pursue other interest.

Except for the direct and Indirect directors' interests disclosed above, none of the other directors of the Manager in office at the end of the financial year had any interest in MQREIT.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Issuance of new units

There were issuance of 206,250,000 new MQREIT's units at an issue price of RM1.28 per unit and private placement of 65,000,000 units at RM1.20 per unit on 30 March 2015 as part of the purchase consideration for the acquisition of Platinum Sentral. The units were listed on the Main Market of Bursa Malaysia on 30 March 2015.

Utilisation of proceeds raised from issuance of new units

The proceeds from the issuance of new units are used partly to finance the acquisition of Platinum Sentral on 30 March 2015.

Particulars of all sanctions and/or penalties imposed on MQREIT, directors of the management company or the management company by the relevant regulatory bodies

During the financial year ended 31 December 2015, there were no sanctions and/or penalties imposed on MQREIT, its Manager and/or directors of its Manager by any of the relevant regulatory bodies.

Amount of non-audit fees incurred for services rendered to MQREIT by its auditors, or a firm of company affiliated to the auditors' firm

During the financial year ended 31 December 2015, there was a non-audit fee of RM5,000 for the review of Statement of Risk Management and Internal Control services rendered to MQREIT by its auditors.

Particulars of material contracts of MQREIT involving the management company and/or major unitholders' interests

Details of material contracts with related parties other than manager's fees to the Manager are as follows (refer to Note 31 to the financial statements):

- (i) Fit-out works for QB3 of RM2.6 million payable to Quill Construction Sdn. Bhd. ("QCSB"), has been financed by MQREIT, to secure top up rentals with tenants under a long term 10-year lease agreement as disclosed in Note 16 to the financial statements.

QCSB is a member of the Quill Group of Companies ("Quill Group"), and is related to MQREIT's major unitholders namely QPSB, QLSB, QESB and two of the directors of MQREIT's Manager, namely Dato' Dr. Low Moi Ing, J.P. and Dato' Michael Ong Leng Chun.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Particulars of material contracts of MQREIT involving the management company and/or major unitholders' interests (cont'd.)

Details of material contracts with related parties other than manager's fees to the Manager are as follows (refer to Note 31 to the financial statements): (cont'd.)

- (ii) Award of a contract of asset enhancement works of RM6.32 million to QCSB, by the Manager on 25 October 2013; the amount billed and paid for during the financial year ended 31 December 2015 amounted to RM176,536.
- (iii) Award of a contract of toilet refurbishment works for QB2 of RM1.68 million to Accord Construction Sdn. Bhd. ("ACSB"), by the Manager on 12 February 2015.

Total amount accounted for the year ended 31 December 2015 is RM1,532,654.

ACSB is related to Quill Group, and owned by two of the directors of MQREIT's Manager, namely Dato' Dr. Low Moi Ing, J.P. and Dato' Michael Ong Leng Chun.

- (iv) Ad hoc repair work for QB2 to supply and install glass panel at office lobby done by ACSB, after finalising and awarded in view of the lowest quotation amongst other vendors, the amount incurred was RM7,130.
- (v) Renewed tenancy agreement of the premises known as Unit G02-G0, Ground Floor at Platinum Sentral to Prema Bonanza Sdn. Bhd. ("PBSB") for a term of one year. The total rental received for the financial year ended 31 December 2015 amounted to RM811,853.

PBSB is a 51% subsidiary of Malaysian Resources Corporation Berhad ("MRCB"), which is a major unitholder of MQREIT and a major shareholder of the Manager. The balance 49% shareholding in PBSB is held by Quill Residences Sdn. Bhd. ("QRSB"), a member of the Quill Group, which is also related to MQREIT's major unitholders namely QPSB, QLSB, QESB as well as Quill Resources Holding Sdn. Bhd. ("QRHSB") which is a major shareholder of the Manager.

- (vi) Car park operation agreement with Semasa Parking Sdn. Bhd. ("SPSB") to appoint SPSB as the sole car park operator vested with car park operations rights including occupying, managing and operating car park charges in respect of car parking bays located at Platinum Sentral; from April 2015 up to December 2015 amounted to RM1,426,669.

SPSB is a wholly owned subsidiary of MRCB.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Particulars of material contracts of MQREIT involving the management company and/or major unitholders' interests (cont'd.)

Details of material contracts with related parties other than manager's fees to the Manager are as follows (refer to Note 31 to the financial statements): (cont'd.)

- (vii) Auxiliary police services with Semasa Services Sdn. Bhd. ("SSRV") for deployment of auxiliary police personnel at Platinum Sentral, from April 2015 up to December 2015, amounted to RM428,220.

SSRV is a wholly owned subsidiary of MRCB.

- (viii) Supply of chilled water by Semasa District Cooling Sdn. Bhd. ("SDCSB") for installation, maintenance and meter reading for Platinum Sentral, the year to date charges amounted to RM2,281,709.

SDCSB is a wholly owned subsidiary of MRCB.

- (ix) Lease agreement with Malaysian Resources Sentral Sdn. Bhd. ("MRSSB") on encroachment on 2 pieces of land located on Platinum Sentral, measuring total NLA of 156,959 sq. ft., amounted to RM67,078.

MRSSB is a wholly owned subsidiary of MRCB.

- (x) The Manager has appointed QCSB as consultant and project manager for consultancy and project management services for the proposed multi-storey car park construction at QB2 for a contract sum of RM925,614 exclusive of GST. The work has yet to be commenced as of 31 December 2015.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Changes in material litigations

The Manager is not aware of any pending material litigations since the last reporting date up to the date of this report.

Manager's responsibility for the annual audited accounts

The Manager is responsible for the preparation of the annual audited financial statements of the Group.

Other statutory information

- (a) Before the statement of comprehensive income and statement of financial position of the Group were made out, the directors of the Manager took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts of receivables and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors of the Manager are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group misleading.
- (c) At the date of this report, the directors of the Manager are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group misleading or inappropriate.
- (d) At the date of this report, the directors of the Manager are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, the directors of the Manager are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group which would materially affect the interests of the unitholders.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

Other statutory information (cont'd.)

- (f) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group which has arisen since the end of the financial year.
- (g) In the opinion of the directors of the Manager:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group for the financial year in which this report is made.

Other significant events

- (a) Proposed Acquisition; Proposed Placement; Proposed Authority to allot new Units for the purpose of the payment of Management Fee in the form of new Units; Proposed Increase in the existing Approved Fund Size; Proposed Change of Name and Proposed Amendments to the Trust Deed (collectively referred to as the "Proposals")**

As announced on 8 January 2015, the Trustee and MRCB Sentral Properties Sdn. Bhd. ("MSP") had, via a second supplemental letter dated 8 January 2015, mutually agreed to further extend the Conditional Period by a period of 3 months, thereby amending the last day of the Extended Conditional Period from 9 January 2015 to 9 April 2015 ("Further Extended Conditional Period"), to fulfil all the Conditions Precedent in the Sale and Purchase Agreement ("SPA").

For the purpose of clarification, the period for fulfilment of the condition precedent in clause 4.1(h) of the SPA, which is set out in Section 2.3(v)(h) of the announcement dated 10 April 2014 (such as the Trustee having received the proceeds from the Proposed Placement or from the underwriting of the Units in relation to the Proposed Placement), shall not be automatically extended by a further period of 3 months after the expiry of the Further Extended Conditional Period.

As announced on 22 January 2015, the listing application in respect of the listing of and quotation for the new Units to be issued pursuant to the Proposed Acquisition, Proposed Placement and Proposed Authority were submitted to Bursa Malaysia on 22 January 2015.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Other significant events (cont'd.)

- (a) **Proposed Acquisition; Proposed Placement; Proposed Authority to allot new Units for the purpose of the payment of Management Fee in the form of new Units; Proposed Increase in the existing Approved Fund Size; Proposed Change of Name and Proposed Amendments to the Trust Deed (collectively referred to as the "Proposals") [(cont'd.)]**

As announced on 16 February 2015, Bursa Malaysia had, vide its letter dated 16 February 2015, approved the following:

- (i) listing of and quotation for 206,250,000 new Units to be issued pursuant to the Proposed Acquisition;
- (ii) listing of and quotation for up to 85,000,000 new Units to be issued pursuant to the Proposed Placement; and
- (iii) listing of and quotation for up to 18,619,000 new Units to be issued pursuant to the Proposed Authority.

The above approval granted by Bursa Malaysia was subject to the following conditions:

- (i) QCT and Hong Leong Investment Bank Berhad ("HLIB") must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition, Proposed Placement and Proposed Authority;
- (ii) QCT and HLIB to inform Bursa Malaysia upon the completion of the Proposed Acquisition, Proposed Placement and Proposed Authority;
- (iii) QCT to furnish Bursa Malaysia with a certified true copy of the resolution passed by the unitholders in general meeting approving the Proposed Acquisition, Proposed Placement and Proposed Authority.

On 12 March 2015, QCT announced that its unitholders have supported and approved QCT's Proposed Acquisition of Platinum Sentral at the Extraordinary General Meeting ("EGM") held on 12 March 2015 and the unitholders of QCT have, at the Meeting held on the same day, approved all the resolutions as set out in the Notice of Meeting for the EGM, wherein all the resolutions were duly carried by way of poll.

As announced on 17 and 18 March 2015, following the book-building exercise, the Board had, on 17 March 2015 ("Pre-Fixing Date"), fixed the issue price of the Placement Units at RM1.20 per Unit, representing a discount of approximately 1.86% or RM0.0227 to the 5-day Volume Weighted Average Market Price ("VWAMP") of the Units up to and including 16 March 2015, being the last trading date immediately prior to the Price-Fixing Date, of RM1.2227. The total of 65,000,000 Units allocated to selected investors representing approximately 16.66% of the existing approved fund size of QCT of 390,131,000 units, raised gross proceeds of approximately RM78,000,000.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Other significant events (cont'd.)

- (a) **Proposed Acquisition; Proposed Placement; Proposed Authority to allot new Units for the purpose of the payment of Management Fee in the form of new Units; Proposed Increase in the existing Approved Fund Size; Proposed Change of Name and Proposed Amendments to the Trust Deed (collectively referred to as the "Proposals") [(cont'd.)]**

An announcement was made on 24 March 2015, that all the conditions precedent under the SPA for the Proposed Acquisition were fulfilled on 23 March 2015. Accordingly the SPA for the Proposed Acquisition had become unconditional on even date.

As announced in the Trust's Additional Listing Announcement on 27 March 2015, a private placement of 65,000,000 units was placed at the unit price of RM1.20 per Unit and listed on the Main Market of Bursa Malaysia on 30 March 2015. In the same announcement, 206,250,000 new Units were issued to MSP, a wholly-owned subsidiary of MRCB at an issue price of RM1.28 per Unit pursuant to the Proposed Acquisition of Platinum Sentral.

As announced on 30 March 2015, 65,000,000 Placement Units issued pursuant to the Proposed Placement and 206,250,000 Consideration Units issued pursuant to the Proposed Acquisition have been listed and quoted on the Main Market of Bursa Malaysia on 30 March 2015, thereby marking the completion of the Proposed Placement and Proposed Acquisition.

As announced on 31 March 2015, the proposed change in shareholding structure of QCM was completed on the even day.

As announced on 21 April 2015, the Third Supplemental Deed dated 2 April 2015 governing QCT ("Third Supplemental Deed") has been registered by and lodged with the SC on 14 April 2015 and 20 April 2015 respectively. The Third Supplemental Deed takes effect from 14 April 2015 and the name of QCT has been changed from "Quill Capita Trust" to "MRCB-Quill REIT".

As announced on 25 May 2015, the management company of MRCB-Quill REIT (formerly known as Quill Capita Trust) has changed its name from "Quill Capita Management Sdn. Bhd." to "MRCB Quill Management Sdn. Bhd.".

As announced on 16 February 2015, Bursa Malaysia had, via its letter dated 16 February 2015, approved the listing of and quotation for up to 18,619,000 new Units for the purpose of the payment of management fee.

As announced on 23 July 2015, an application has been submitted to Bursa Malaysia to seek for extension of 6 months from 16 August 2015 to 15 February 2016 for the Proposed Authority. Announcement has been made on 30 July 2015 that Bursa Malaysia had, vide its letter dated 29 July 2015, approved an extension of time from 16 August 2015 to 15 February 2016 pursuant to Paragraph 6.62(1) of the Main Market Listing Requirements of Bursa Malaysia.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Other significant events (cont'd.)

(b) Proposed disposal of QB10

As announced on 25 February 2015, the Trustee, acting solely in the capacity as trustee for and on behalf of QCT, had entered into a SPA with Aldwych Capital Sdn. Bhd. (formerly known as Superplas Trading Sdn. Bhd.) for the disposal of a 5-storey office building together with a level of basement car park located at No. 2A, Lorong 13/6A, Section 13, 46200 Petaling Jaya, Selangor erected on a parcel of leasehold land held under Pajakan Negeri 3699, Lot 57 Seksyen 13, in the town of Petaling Jaya, District of Petaling and state of Selangor for a cash consideration of RM27.3 million.

As announced on 7 September 2015, the Proposed Disposal was completed on 4 September 2015 in accordance with the terms and conditions of the SPA executed on 25 February 2015.

(c) Award of Contract to a Related Party (under Paragraph 9.43(1) of the Main Market Listing Requirements)

As announced on 13 November 2015, the Board of Directors of MQM, the management company of MQREIT on behalf of MQREIT, has appointed QCSB as consultant and project manager for consultancy and project management services for the proposed multi-storey car park construction at QB2 for a contract sum of RM925,614 exclusive of GST ("Appointment").

The transaction with QCSB is regarded as a Related Party Transaction ("RPT") by virtue of QCSB being a company within the Quill Group and is related to MQREIT's major unitholders namely QPSB, QLSB, QESB, as well as QRHSB.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Other significant events (cont'd.)

(d) Execution of Heads of Agreement ("HOA") between MQREIT and 348 Sentral Sdn. Bhd. ("Vendor"), a wholly-owned subsidiary of MRCB

As announced on 3 December 2015, the Trustee, had on 3 December 2015, entered into HOA with the Vendor for the proposed acquisition of a 33 storey office tower known as Menara Shell together with a 5 storey podium and 4 storey basement car park, bearing the postal address of No. 211, Jalan Tun Sambanthan, 50470 Kuala Lumpur, Wilayah Persekutuan, Malaysia (collectively "the Property") erected on part of a freehold land held under Geran 40094, Lot 348, Section 72, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur for a purchase consideration of RM640 million ("Proposed Acquisition").

The purchase consideration of RM640 million for the Proposed Acquisition is based on valuation and is subject to such adjustment (if any) prior to the execution of the definitive SPA. The purchase price will be satisfied by MQREIT via a combination of cash and issuance of new MQREIT units, which allocation shall be mutually determined and agreed upon prior to the execution of the SPA.

The Proposed Acquisition shall be conditional upon, among others, approvals being obtained from the shareholders of the Vendor and MRCB, unitholders of MQREIT and the relevant authorities.

The Proposed Acquisition is subject to a SPA to be entered into between the Trustee and the Vendor (collectively, the "Parties") within 30 business days from the date of the HOA ("Cut-Off Date") with an automatic extension of a further period of 30 business days in the event that MQREIT is unable to complete its due diligence investigations by the Cut-Off Date, and thereafter, such further extension of time as may be mutually agreed.

During this time, or up to the date when the Parties have entered into a definitive SPA, the Parties agree to co-operate exclusively with each other with respect to the Proposed Acquisition.

A detailed announcement will be made upon signing of the SPA.

Astramina Advisory Sdn. Bhd. has been appointed as Transaction Arranger for the Proposed Acquisition.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Other significant events (cont'd.)

(e) Renewal of tenancy with a Related Party (under Paragraph 9.43(1) of the Main Market Listing Requirements)

As announced on 14 December 2015, the Trustee, had on 14 December 2015 renewed the tenancy of the premises known as Unit G02-G04, Ground Floor at Platinum Sentral to PBSB for a term of one year with an option to renew for a further term of one year at an estimated annual rental of RM787,000 ("Tenancy Renewal").

PBSB was incorporated in Malaysia under the Companies Act, 1965 on 11 December 2006 and its principal activity is property development.

PBSB is a 51% subsidiary of MRCB, which is a major unitholder of MQREIT and a major shareholder of the Manager. The balance 49% shareholding in PBSB is held by QRSB, a member of the Quill Group, which is also related to MQREIT's major unitholders namely QPSB, QLSB, QESB as well as QRHSB which is a major shareholder of the Manager.

The Tenancy Renewal will not have any material effect on earnings, NAV and gearing of MQREIT. The Audit Committee is of the opinion that the terms of the Tenancy Renewal are fair, reasonable and on normal commercial terms and will not be detrimental to the interests of the non-interested unitholders of MQREIT.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Subsequent event**Proposed Authority to allot new Units for the purpose of the payment of Management Fee in the form of new Units ("Proposed Authority")**

Pursuant to Paragraph 6.62(1) of the Main Market Listing Requirements of Bursa Malaysia, stipulates that a proposal relating to the Issuance of securitles must be completed within 6 months from the date of listing approval by Bursa Malaysia, failing which the listing approval given with regard to the proposal will lapse.

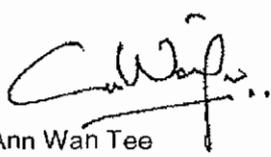
As announced on 28 January 2016, an application has been submitted to Bursa Malaysia on 28 January 2016 to seek a further extension of time of 6 months from 16 February 2016 to 15 August 2016 to implement the Proposed Authority.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Manager, MRCB Quill Management Sdn. Bhd..


Dato' Michael Ong Leng Chun
Director


Ann Wan Tee
Director

Kuala Lumpur, Malaysia
22 February 2016

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

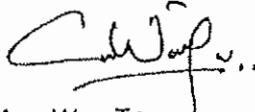
MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

Statement by manager

We, Dato' Michael Ong Leng Chun and Ann Wan Tee, being two of the directors of the Manager, MRCB Quill Management Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 43 to 116 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and applicable provisions of the Trust Deed and Guidelines on Real Estate Investment Trusts issued by the Securities Commission so as to give a true and fair view of the financial position of the Group as at 31 December 2015 and its financial performance and cash flows of the Group for the year then ended.

Signed on behalf of the Manager, MRCB Quill Management Sdn. Bhd..


 Dato' Michael Ong Leng Chun
 Director

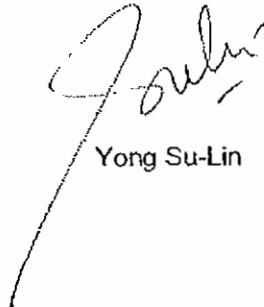

 Ann Wan Tee
 Director

Kuala Lumpur, Malaysia
 22 February 2016

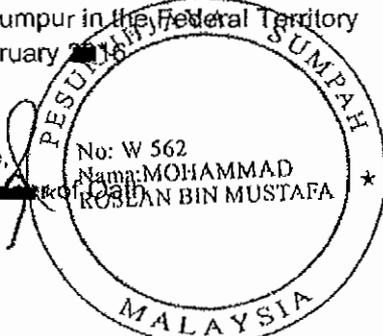
Statutory declaration

I, Yong Su-Lin, being the officer primarily responsible for the financial management of MRCB-Quill REIT, do solemnly and sincerely declare that the accompanying financial statements set out on pages 43 to 116 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
 the abovenamed Yong Su-Lin
 at Kuala Lumpur in the Federal Territory
 on 22 February 2016


 Yong Su-Lin

Before me,
 Commission



H-1-10,
 Plaza Damas,
 Jalan Sri Hartamas 1,
 50480 Kuala Lumpur

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)



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Trustee's report to the Unitholders of MRCB-QUILL REIT

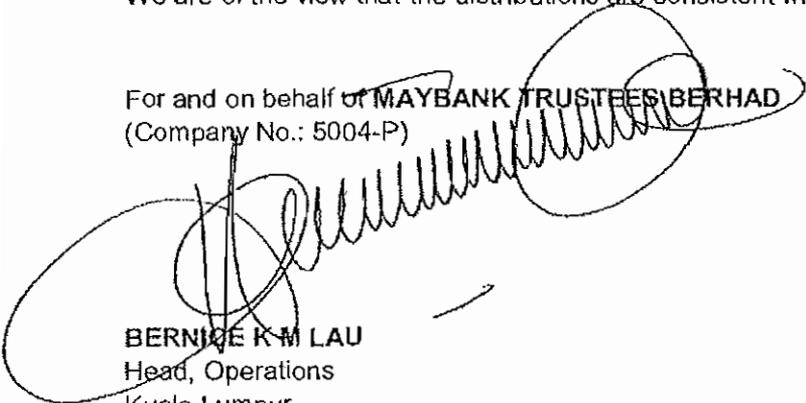
We have acted as Trustee of MRCB-Quill Reit ("MQREIT") [Formerly known as Quill Capita Trust] for the financial year ended 31 December 2015. To the best of our knowledge, MRCB Quill Management Sdn Bhd ("the Manager") [Formerly known as Quill Capita Management Sdn. Bhd.] has managed MQREIT in the financial year under review in accordance to the following:

- (a) the limitation imposed on the investment powers of the Manager and the Trustee under the Trust Deed, other applicable provisions of the Trust Deed, the Guidelines on Real Estate Investment Trusts issued by Securities Commission Malaysia, the Capital Markets & Services Act 2007 and other applicable laws; and
- (b) the valuation of MQREIT is carried out in accordance with the Trust Deed and other regulatory requirements.

A total income distributions of 4.10 sen per unit for the period of 1 January 2015 to 30 June 2015 were paid on 15 April 2015 (of 1.88 sen per unit) and 28 August 2015 (of 2.22 sen per unit) respectively. Proposed final gross distribution of 4.37 sen per unit for the period of 1 July 2015 to 31 December 2015 will be payable on 29 February 2016 to all unitholders as at book closure date of 11 February 2016.

We are of the view that the distributions are consistent with the objectives of MQREIT.

For and on behalf of **MAYBANK TRUSTEES BERHAD**
 (Company No.: 5004-P)



BERNICE K M LAU
 Head, Operations
 Kuala Lumpur

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)



Ernst & Young
 (Malaysia) Sdn Bhd
 Chartered Accountants
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 50490 Kuala Lumpur, Malaysia

Tel: (603) 7695 8000
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**Independent auditors' report to the unitholders of
 MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]**

Report on the financial statements

We have audited the financial statements of MRCB-Quill REIT ("MQREIT") (formerly known as Quill Capita Trust ("QCT")), which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 116.

Manager's and Trustee's responsibility for the financial statements

The Manager of MQREIT is responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and applicable provisions of the Deed and Guidelines on Real Estate Investment Trusts issued by the Securities Commission Malaysia. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to MQREIT's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MQREIT's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)



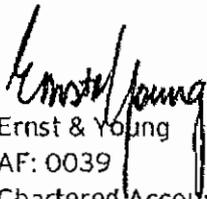
Independent auditors' report to the unitholders of
MRCB-Quill REIT ("MQREIT") [(cont'd.)]
[Formerly known as Quill Capita Trust ("QCT")]

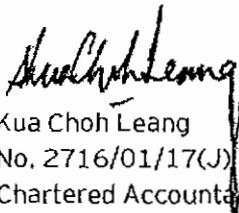
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of MQREIT as at 31 December 2015 and of its financial performance, the changes in net asset value and the cash flows of MQREIT for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and applicable provisions of the Deed and Guidelines on Real Estate Investment Trusts issued by the Securities Commission Malaysia.

Other matters

This report is made solely to the unitholders of MQREIT, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.


 Ernst & Young
 AF: 0039
 Chartered Accountants


 Kua Choh Leang
 No. 2716/01/17(J)
 Chartered Accountant

Kuala Lumpur, Malaysia
22 February 2016

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]
 Statement of comprehensive income
 For the financial year ended 31 December 2015

	Note	Group	
		2015	2014
		RM	RM
Total income			
Revenue	5	115,174,498	70,249,414
Property operating expenses	6	(24,902,859)	(16,924,236)
Net property income		90,271,639	53,325,178
Interest income		927,484	724,223
Net fair value gain on investment properties	14	6,677,375	6,120,279
Gain on divestment of investment property		594,734	-
		<u>98,471,232</u>	<u>60,169,680</u>
Total expenditure			
Manager's fees	7	(8,553,750)	(5,389,038)
Trustee's fee	8	(436,003)	(257,451)
Finance costs	9	(27,983,598)	(14,053,911)
Valuation fees		(243,000)	(190,000)
Auditors' remuneration		(140,960)	(123,500)
Tax agent's fee		(34,128)	81,600
Administrative expenses		(381,793)	45,642
		<u>(37,773,232)</u>	<u>(19,886,658)</u>
Income before taxation		60,698,000	40,283,022
Income tax expense	10	-	-
Income net of taxation		<u>60,698,000</u>	<u>40,283,022</u>
Other comprehensive income:			
Net fair value gain on derivatives		1,056,288	201,009
Total comprehensive income for the financial year		<u>61,754,288</u>	<u>40,484,031</u>
Net income for the year is made up as follows:			
- Realised		54,020,625	34,162,743
- Unrealised		6,677,375	6,120,279
		<u>60,698,000</u>	<u>40,283,022</u>

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

Statement of comprehensive income

For the financial year ended 31 December 2015 (cont'd.)

	Note	Group 2015	2014
Earnings per unit			
After manager's fees (sen)	11(a)	10.18	10.33
Before manager's fees (sen)	11(b)	11.62	11.71
Earnings per unit (realised)			
After manager's fees (sen)	11(c)	9.06	8.76
Before manager's fees (sen)	11(d)	10.50	10.14
Income distribution			
Interim distribution of 4.10 sen paid on 29 August 2014 (RM)	12	-	15,995,371
1st interim distribution of 1.88 sen paid on 15 April 2015 (RM)	12	7,334,463	-
2nd interim distribution of 2.22 sen paid on 28 August 2015 (RM)	12	14,682,658	-
Proposed final distribution:			
- 4.28 sen payable on 27 February 2015 (RM)	12	-	16,697,607
- 4.37 sen payable on 29 February 2016 (RM) *	12	28,902,350	-
		<u>50,919,471</u>	<u>32,692,978</u>
Income distribution per unit		1	2
Interim distribution per unit			
Gross (sen) ³		4.10	4.10
Final distribution per unit			
Gross (sen) ³		4.37	4.28

¹ Based on 390,131,000 units entitled to 1st interim distribution; and 661,381,000 units entitled to 2nd interim distribution and proposed final distribution;

² Based on 390,131,000 units entitled to distribution for financial year 2014;

³ Income distributed to resident individuals, non-resident individuals, resident institutional investors, non-resident institutional investors and non-resident companies are subject to withholding tax.

* The proposed final income distribution will be recognised and paid in the immediate subsequent financial year.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Statement of financial position
As at 31 December 2015

	Note	Group 2015 RM	2014 RM
Assets			
Non-current assets			
Plant and equipment	13	236,582	17,376
Investment properties	14	1,569,800,000	837,700,000
Derivatives	15	1,594,224	1,224,193
Lease receivable	16	2,000,864	-
		<u>1,573,631,670</u>	<u>838,941,569</u>
Current assets			
Trade and other receivables	17	5,648,126	6,142,148
Derivatives	15	686,257	-
Lease receivable	16	409,684	-
Cash and cash equivalents	18	44,863,963	23,288,996
		<u>51,608,030</u>	<u>29,431,144</u>
Total assets		<u>1,625,239,700</u>	<u>868,372,713</u>
Liabilities			
Non-current liabilities			
Borrowings	20	500,811,606	305,113,452
Security deposits		15,572,463	7,503,503
		<u>516,384,069</u>	<u>312,616,955</u>
Current liabilities			
Trade and other payables	19	13,574,839	12,241,188
Borrowings	20	188,910,256	-
Security deposits		2,515,677	2,263,561
		<u>205,000,772</u>	<u>14,504,749</u>
Total liabilities		<u>721,384,841</u>	<u>327,121,704</u>
Net assets value ("NAV")		<u>903,854,859</u>	<u>541,251,009</u>
Unitholders' funds			
Unitholders' funds attributable to unitholders of MQREIT			
Unitholders' capital	21	751,276,357	411,712,067
Undistributed and non-distributable income		152,578,502	129,538,942
Total unitholders' funds		<u>903,854,859</u>	<u>541,251,009</u>

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

Statement of financial position
 As at 31 December 2015 (cont'd.)

	Note	Group 2015 RM	2014 RM
Net asset value per unit			
Before income distribution ¹		1.3666	1.3874
After income distribution ²		1.3229	1.3446
Number of units in circulation			
As at 31 December (units)	21	661,381,000	390,131,000

¹ Before the proposed final income distribution of 4.37 sen per unit (2014: 4.28 sen per unit)

² After the proposed final income distribution of 4.37 sen per unit (2014: 4.28 sen per unit)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]Statement of changes in net asset value
For the financial year ended 31 December 2015

Group	Unitholders' capital RM	Distributable		Non-distributable		Net fair value gain on derivatives unrealised RM	Undistributed and non-distributable income RM	Total undistributed income RM	Unitholders' funds RM
		Undistributed income realised RM	Undistributed income unrealised RM	Undistributed income unrealised RM	Undistributed income RM				
At 1 January 2015	411,712,067	27,069,066	101,245,683	1,224,193	129,538,942		541,251,009		
Issuance of new units/placements on 30 March 2015	342,000,000	-	-	-	-	-	342,000,000		
Expenses on issuance of new units/placements	(2,435,710)	-	-	-	-	-	(2,435,710)		
Total comprehensive income for the financial year	-	54,020,625	6,677,375	1,056,288	61,754,288		61,754,288		
Transactions with unitholders									
Distribution to unitholders	751,276,357	81,089,691	107,923,058	2,280,481	191,293,230		942,569,587		
At 31 December 2015									
	-	(38,714,728)	-	-	(38,714,728)		(38,714,728)		
	751,276,357	42,374,963	107,923,058	2,280,481	152,578,502		903,854,859		
At 1 January 2014	411,712,067	25,599,301	95,125,404	1,023,184	121,747,889		533,459,956		
Total comprehensive income for the financial year	-	34,162,743	6,120,279	201,009	40,484,031		40,484,031		
Transactions with unitholders									
Distribution to unitholders	411,712,067	58,762,044	101,245,683	1,224,193	162,231,920		573,943,987		
At 31 December 2014									
	-	(32,692,978)	-	-	(32,692,978)		(32,692,978)		
	411,712,067	27,069,066	101,245,683	1,224,193	129,538,942		541,251,009		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

Statement of cash flows

For the financial year ended 31 December 2015

	Note	Group	
		2015	2014
		RM	RM
Cash flows from operating activities			
Income before taxation		60,698,000	40,283,022
<u>Adjustments for:</u>			
Finance costs	9	27,983,598	14,053,911
Depreciation of plant and equipment	13	13,794	8,806
Net fair value gain on investment properties	14	(6,677,375)	(6,120,279)
Allowance for impairment loss	17	67,372	-
Gain on divestment of investment property		(594,734)	-
Interest income		(927,484)	(724,223)
Operating cash flows before changes in working capital		80,563,171	47,501,237
<u>Changes in working capital:</u>			
Decrease/(increase) in trade and other receivables		36,958	(3,257,689)
Increase in trade and other payables		6,390,163	110,744
Net cash flows generated from operating activities		86,990,292	44,354,292
Cash flows from investing activities			
Additions to investment properties	14	(751,922,625)	(6,019,721)
Proceed from divestment of investment property		27,300,000	-
Purchase of plant and equipment	13	(233,000)	(16,700)
Investment in lease receivable	16	(2,410,548)	-
Interest income		887,706	733,190
Net cash flows used in investing activities		(726,378,467)	(5,303,231)
Cash flows from financing activities			
Distribution to unitholders		(38,714,728)	(32,692,978)
Proceeds from borrowings	20	534,000,000	15,000,000
Proceeds from issuance of new units/placements	21	342,000,000	-
Repayment of borrowings	20	(145,000,000)	(15,000,000)
Expenses paid on issuance of new units/placements	21	(2,435,710)	-
Finance costs paid		(28,886,420)	(13,984,500)
Net cash flows generated from/(used in) financing activities		660,963,142	(46,677,478)
Net increase/(decrease) in cash and cash equivalents		21,574,967	(7,626,417)
Cash and cash equivalents at 1 January		23,288,996	30,915,413
Cash and cash equivalents at 31 December	18	44,863,963	23,288,996

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

Notes to the financial statements for the financial year ended 31 December 2015

1. MQREIT, the Manager and their principal activities

MRCB-Quill REIT ("MQREIT") [formerly known as Quill Capita Trust ("QCT")] was constituted under a Deed dated 9 October 2006 (the "Trust Deed"), by MRCB Quill Management Sdn. Bhd. [formerly known as Quill Capita Management Sdn. Bhd. ("QCM")] as the manager (the "Manager") and Maybank Trustees Berhad as the trustee (the "Trustee"), and a Supplemental Deed dated 27 August 2007, Second Supplemental Deed dated 28 May 2013 and Third Supplemental Deed dated 2 April 2015, and is categorised as a real estate investment trust. MQREIT commenced its operations in 2006 and was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 8 January 2007.

The principal activity of MQREIT involves acquisition of and investment in commercial properties, primarily in Malaysia. The principal activity of each of the special purpose entities of the Group is to facilitate financing for MQREIT as disclosed in Note 22 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The Manager is a company incorporated in Malaysia. The principal activity of the Manager is to manage MQREIT. There has been no significant change in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Manager in accordance with a resolution of its directors on 22 February 2016.

2. Term of MQREIT

MQREIT will continue its operations until such time as determined by the Trustee and the Manager as provided under Clause 26 of the Trust Deed.

3. Summary of significant accounting policies

3.1 Basis of preparation

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and applicable provisions of the Trust Deed and Guidelines on Real Estate Investment Trusts issued by Securities Commission ("SC REIT Guidelines").

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM").

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2015, the Group adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2015:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014

The adoption of the above standards, amendments and interpretations did not have any material effect on the financial performance or position of the Group.

Annual Improvements to MFRSs 2010–2012 Cycle

The Annual Improvements to MFRSs 2010-2012 Cycle include a number of amendments to various MFRSs, which are summarised below. The directors of the Manager do not anticipate that the application of these amendments will have a material impact on the Group's financial statements.

Standards	Descriptions
MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets	The amendments remove inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amendments clarify that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between gross and carrying amounts of the asset. This amendment did not have any impact on the Group.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.2 Changes in accounting policies (cont'd.)

Annual Improvements to MFRSs 2010–2012 Cycle (cont'd.)

Standards	Descriptions
MFRS 124 Related Party Disclosures	The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. This amendment is not applicable to the Group as the Group does not receive any management services from other entities.

Annual Improvements to MFRSs 2011–2013 Cycle

The Annual Improvements to MFRSs 2011-2013 Cycle include a number of amendments to various MFRSs, which are summarised below. The Group has applied the amendments for the first time in the current year.

Standards	Descriptions
MFRS 13 Fair Value Measurement	The amendments to MFRS 13 clarify that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139 as applicable). The Group does not apply the portfolio exception.
MFRS 140 Investment Property	<p>The amendments to MFRS 140 clarify that an entity acquiring investment property must determine whether:</p> <ul style="list-style-type: none"> - the property meets the definition of investment property in terms of MFRS 140; and - the transaction meets the definition of a business combination under MFRS 3, <p>to determine if the transaction is a purchase of an asset or is a business combination.</p> <p>In previous financial years, the Group has applied MFRS 3 and not MFRS 140 in determining whether an acquisition is of an asset or is a business combination. Accordingly, this amendment did not have any impact to the Group.</p>

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.3 Standards and Interpretations issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2012 – 2014 Cycle Amendments to MFRS 116 and MFRS 138:	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018

The directors of the Manager expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.3 Standards and Interpretations issued but not yet effective (cont'd.)

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The directors of the Manager do not anticipate that the application of these amendments will have a material impact on the Group's financial statements.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.3 Standards and Interpretations Issued but not yet effective (cont'd.)

MFRS 15 Revenue from Contracts with Customers (cont'd.)

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, such as when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The directors of the Manager anticipate that the application of MFRS 15 will not have a material impact on the amounts reported and disclosures made in the Group's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

Annual Improvements to MFRSs 2012–2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below. The directors of the Manager do not anticipate that the application of these amendments will have a significant impact on the Group's financial statements.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.3 Standards and Interpretations issued but not yet effective (cont'd.)

Annual Improvements to MFRSs 2012–2014 Cycle (cont'd.)

Standards	Descriptions
MFRS 7 Financial Instruments: Disclosures	<p>The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.</p> <p>In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.</p>
MFRS 134 Interim Financial Reporting	<p>MFRS 134 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'.</p>

3.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of MQREIT and the special purpose entities ("SPEs") [collectively known as "the Group"] as at the reporting date. The financial statements of the SPEs used in the preparation of the consolidated financial statements are prepared for the same reporting date as MQREIT. Consistent accounting policies are applied to like transactions and events in similar circumstances. The SPEs are established for the specific purpose of raising financing on behalf of MQREIT for the acquisition of real estate and single-purpose companies.

MQREIT controls the SPEs if and only if MQREIT has all the following:

- (i) Power over the SPEs (such as existing rights that give it the current ability to direct the relevant activities of the SPEs);
- (ii) Exposure, or rights, to variable returns from its investment with the SPEs; and
- (iii) The ability to use its power over the SPEs to affect its returns.

SPEs controlled by MQREIT were established under terms that impose strict limitations on the decision-making powers of the SPEs management resulting in MQREIT receiving all of the benefits related to the SPEs operations and net assets.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.5 Plant and equipment

All items of plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criterias are satisfied. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation of plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Plant and machinery	20%
Office equipment	33% - 50%
Furniture and fittings	33%

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss in the period of derecognition.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.6 Investment properties

Investment properties consist of investment in real estate assets primarily in commercial properties. These properties which are held either to earn rental income or for capital appreciation or for both.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criterias are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by discounting cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rent for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Valuations are performed by accredited independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in the profit or loss in the year in which they arise. A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Company holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for plant and equipment as set out in Note 3.5 up to the date of change in use.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.7 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income ("OCI"). In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.8 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date which is usually the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)**3.8 Financial assets (cont'd.)****Subsequent measurement (cont'd.)****Loans and receivables**

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is recognised in profit or loss. The losses arising from impairment are recognised in the profit or loss as finance costs for loans and as part of cost of sales or other operating expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is recognised in profit or loss. The losses arising from impairment are recognised in profit or loss as finance costs.

Available-for-sale ("AFS") financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.8 Financial assets (cont'd.)

Subsequent measurement (cont'd.)

Available-for-sale ("AFS") financial assets (cont'd.)

Investments in equity investments whose fair values cannot be reliably measured are recognised at cost less impairment loss.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (such as being removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)**3.8 Financial assets (cont'd.)****Derecognition (cont'd.)**

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.9 Derivative financial instruments and hedging activities**Initial recognition and subsequent measurement**

The Group uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.
- Hedges of a net investment in a foreign operation.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)**3.9 Derivative financial instruments and hedging activities (cont'd.)****Initial recognition and subsequent measurement (cont'd.)**

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as a finance cost. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as a finance cost.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.9 Derivative financial instruments and hedging activities (cont'd.)

Initial recognition and subsequent measurement (cont'd.)

Cash flow hedges (cont'd.)

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

3.10 Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.10 Impairment of financial assets (cont'd.)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. The impairment loss is recognised in profit or loss.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

Available-for-sale ("AFS") financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.10 Impairment of financial assets (cont'd.)

Available-for-sale ("AFS") financial assets (cont'd.)

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss, increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances, demand deposits, and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)**3.12 Financial liabilities****Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.12 Financial liabilities (cont'd.)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.13 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use. Capitalisation of borrowing costs shall cease when substantially all the activities to prepare the asset for its intended use or sale are completed.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

3.14 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.15 Revenue and other income

Revenue and other income are recognised to the extent that it is probable that the economic benefits will flow to the Group and they can be reliably measured. Revenue and other income are measured at the fair value of consideration received or receivable.

(i) Rental income

Rental income is recognised on accrual basis as the increase of rental rates are due to expected increases of market rental rates and to compensate for expected annual inflation over the lease period as opposed to other factors such as back loaded or front loaded rental payments.

(ii) Utilities recovery and others

Utilities recovery and others (such as license and service charges) are recognised on an accrual basis taking into account contractually defined terms.

(iii) Car park operations

Revenue from car park operations are recognised as and when the services are rendered.

(iv) Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as AFS, interest income is recorded using the EIR method.

EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in revenue and other income in the statement of profit or loss.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.16 Income taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.16 Income taxes (cont'd.)

(ii) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.18 Current versus non-current classification

The Group presents their assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- (i) Expected to be realised or intended to be sold or consumed in normal operating cycle
- (ii) Held primarily for the purpose of trading
- (iii) Expected to be realised within twelve months after the reporting period, or
- (iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- (i) It is expected to be settled in normal operating cycle
- (ii) It is held primarily for the purpose of trading
- (iii) It is due to be settled within twelve months after the reporting period, or
- (iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.19 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Investment properties Note 14
- Quantitative disclosures of fair value measurement hierarchy Note 35

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

3. Summary of significant accounting policies (cont'd.)

3.19 Fair value measurement (cont'd.)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3 — Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires the management to make judgements, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

4.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Fair valuation of investment properties

Significant judgement is involved in determining estimated future cash flows, yield, occupancy rate, discount rates and the amount and timing of the cash flows to arrive at the valuations of the investment properties as disclosed in Note 14.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

4. Significant accounting judgements and estimates (cont'd.)

4.1 Judgements made in applying accounting policies (cont'd.)

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements: (cont'd.)

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 17.

(b) Valuation of investment properties

The Group carries its investment properties at fair value. The Group engaged independent valuation specialists to assess fair value as at 31 December 2015 on investment properties. Significant judgement is required in determining fair value which may be derived based on different valuation methods. Investment properties were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. Otherwise, a valuation methodology based on a discounted cash flow ("DCF") model was used, as there were a lack of comparable market data because of the nature of the properties.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

4. Significant accounting judgements and estimates (cont'd.)

4.2 Key sources of estimation uncertainty (cont'd.)

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below: (cont'd.)

(c) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgement include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(d) Income tax

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Under Section 61A of the Income Tax Act 1967, the undistributed income of a Real Estate Investment Trust ("REIT") are exempted from income tax provided that the REIT distributes 90% or more of its total income for the year. The management require judgement in establishing income distribution for the year to ensure tax exemption criterias are met.

5. Revenue

	Group	
	2015	2014
	RM	RM
Rental income and service charges	99,481,293	59,290,251
Car park income	10,284,643	5,204,746
Utilities recovery	5,330,752	5,692,206
Others	77,810	62,211
	<u>115,174,498</u>	<u>70,249,414</u>

Gross revenue comprises rental, service charges and car park income from properties and utilities costs recoverable from tenants.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

6. Property operating expenses

	Group	
	2015	2014
	RM	RM
Quit rent and assessment	4,524,135	2,804,698
Depreciation	13,794	8,806
Insurance	714,814	435,754
Property management fee	2,163,314	1,965,952
Service contracts and maintenance	7,303,708	4,783,807
Utilities	10,183,094	6,925,219
	<u>24,902,859</u>	<u>16,924,236</u>

The property management fee is inclusive of permissible discount in accordance with the Valuers, Appraisers and Estate Agents Act, 1981 and reimbursable site staff cost.

7. Manager's fees

	Group	
	2015	2014
	RM	RM
Base fee	5,794,301	3,665,958
Performance fee	2,759,449	1,723,080
	<u>8,553,750</u>	<u>5,389,038</u>

The Manager is entitled under the Trust Deed to a base fee of 0.4% per annum of the gross asset value, payable monthly in arrears and a performance fee of 3% per annum on the net investment income, payable semi-annually in arrears.

The Manager is also entitled under the Trust Deed to an acquisition fee of 1% of the acquisition value of any asset, being authorised investments, acquired by MQREIT and divestment fee of 0.5% of the disposal value of any asset divested by MQREIT.

During the financial year ended 31 December 2015, the Manager was entitled to an acquisition fee of RM7,844,000 (inclusive of 6% service tax) in respect of Platinum Sentral acquisition which was capitalised as part of the carrying amount of the investment properties (as disclosed in Note 14).

The Manager was also entitled to a divestment fee of RM144,690 (inclusive of 6% GST) in respect of the disposal of QB10 which was disposed off on 4 September 2015. The divestment fee was charged to profit or loss and netted off against the gain on divestment of investment property.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

7. Manager's fees (cont'd.)

The Manager's remuneration is accrued and paid in accordance with the Trust Deed.

During the financial year, the Manager did not receive any soft commission (such as goods or services) from its broker, by virtue of transaction conducted by MQREIT.

8. Trustee's fee

Trustee's fee accrued to the Trustee for the financial year ended 31 December 2015 amounted to RM436,003 (2014: RM257,451).

Trustee's fee is payable to the Trustee, which is computed at 0.03% per annum on the first RM2.5 billion of the gross asset value and 0.02% per annum on the gross asset value in excess of RM2.5 billion, payable monthly in arrears.

9. Finance costs

	Group	
	2015	2014
	RM	RM
Accretion of interest expense	17,667,001	5,311,518
Amortisation of transaction costs incurred to obtain Commercial Papers ("CPs")/ Medium Term Notes ("MTNs")	518,120	198,863
Amortisation of transaction costs incurred to obtain Term Loan	196,607	196,607
Annual CPs/MTNs Programme expense	351,998	192,000
Gain on interest rate swap arrangements	(445,470)	(167,077)
Interest expense on MTNs	2,940,000	2,940,000
Interest expense on Term Loan	6,755,342	5,382,000
	<u>27,983,598</u>	<u>14,053,911</u>

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

10. Income tax expense

	Group	
	2015	2014
	RM	RM
Income tax expense for the year:		
Current year tax	-	-

Pursuant to Section 61A of the Income Tax Act 1967, the income of a REIT would be exempted from income tax provided that the REIT distributes 90% or more of its total income for the year. If the REIT is not able to meet the 90% distribution criteria, the entire taxable income of the REIT would be subject to income tax.

As MQREIT has paid and proposed income distribution of more than 90% of its total income to unitholders, the total income of MQREIT for the year of assessment 2015 shall be exempted from tax.

A reconciliation of income tax expense applicable to income before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group for the financial years ended 31 December 2015 and 2014 is as follows:

	Group	
	2015	2014
	RM	RM
Income before taxation	60,698,000	40,283,022
Tax at Malaysian statutory tax rate of 25% (2014: 25%)	15,174,500	10,070,756
Income not subject to taxation	(13,398,332)	(8,439,682)
Unrealised income not subject to tax	(1,669,344)	(1,530,070)
Exempt income not subject to tax	(380,555)	(181,056)
Expenses not deductible for tax purposes	273,731	80,052
Income tax expense for the year	-	-

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

11. Earnings per unit ("EPU")

- (a) EPU after manager's fees is based on net income for the year of RM60,698,000 (2014: RM40,283,022) divided by the weighted average number of units in circulation during the year of 595,983,740 (2014: 390,131,000).
- (b) EPU before manager's fees is based on net income for the year of RM69,251,750 (2014: RM45,672,060) after adding back manager's fees of RM8,553,750 (2014: RM5,389,038) divided by the weighted average number of units in circulation during the year of 595,983,740 (2014: 390,131,000).
- (c) EPU after manager's fees (realised) is based on realised net income for the year of RM54,020,625 (2014: RM34,162,743) divided by the weighted average number of units in circulation during the year of 595,983,740 (2014: 390,131,000).
- (d) EPU before manager's fees (realised) is based on realised net income for the year of RM62,574,375 (2014: RM39,551,781) after adding back manager's fees of RM8,553,750 (2014: RM5,389,038) divided by the weighted average number of units in circulation during the year of 595,983,740 (2014: 390,131,000).

12. Distribution to unitholders

Distribution to the unitholders is from the following sources:

	Group	
	2015	2014
	RM	RM
Revenue (Note 5)	115,174,498	70,249,414
Interest income	927,484	724,223
Gain on divestment of investment property	594,734	-
	116,696,716	70,973,637
Less: Total expenses	(62,676,091)	(36,810,894)
	54,020,625	34,162,743
Distribution to unitholders	50,919,471	32,692,978
Gross distribution per unit (sen) **	8.47	8.38

** Income distributed to resident individuals, non-resident individuals, resident institutional investors, non-resident institutional investors and non-resident companies are subject to withholding tax.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

13. Plant and equipment

	Plant and machinery RM	Office equipment RM	Furniture and fittings RM	Total RM
At 31 December 2015				
Group				
Cost				
At 1 January 2015	6,000	36,452	19,400	61,852
Additions	-	233,000	-	233,000
At 31 December 2015	6,000	269,452	19,400	294,852
Accumulated depreciation				
At 1 January 2015	5,998	21,773	16,705	44,476
Depreciation charge for the year	-	11,100	2,694	13,794
At 31 December 2015	5,998	32,873	19,399	58,270
Net carrying amount	2	236,579	1	236,582
At 31 December 2014				
Cost				
At 1 January 2014	6,000	19,752	19,400	45,152
Additions	-	16,700	-	16,700
At 31 December 2014	6,000	36,452	19,400	61,852
Accumulated depreciation				
At 1 January 2014	5,998	19,434	10,238	35,670
Depreciation charge for the year	-	2,339	6,467	8,806
At 31 December 2014	5,998	21,773	16,705	44,476
Net carrying amount	2	14,679	2,695	17,376

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

14. Investment properties

	Group	
	2015	2014
	RM	RM
At beginning of the year	837,700,000	825,560,000
Additions from acquisition	740,000,000	-
Capital expenditure for acquisition during the year	8,920,867	-
Additions from assets enhancement	3,001,758	6,019,721
Fair value adjustments	6,677,375	6,120,279
Divestment of investment property	(26,500,000)	-
At end of the year	<u>1,569,800,000</u>	<u>837,700,000</u>

The breakdown of investment properties is as follows:

Description of properties	Date of acquisition	Cost of investment RM'000	Market value/ Net carrying amount as at 31 December 2015 RM'000	% of NAV	Market value/ Net carrying amount as at 31 December 2014 RM'000
<u>Commercial buildings</u>					
Quill Building 1					
- DHL 1	20-Nov-06	109,100	126,000	13.94	125,700
Quill Building 4					
- DHL 2	20-Nov-06				
Quill Building 2					
- HSBC	20-Nov-06	107,500	120,700	13.35	119,100
Quill Building 3					
- BMW	20-Nov-06	59,400	75,500	8.35	74,400
Wisma Technip Part of Plaza	3-Sep-07	125,000	172,000	19.03	169,000
Mont' Kiara	3-Sep-07	90,000	114,000	12.61	111,700
Quill Building 5					
- IBM	14-Mar-08	43,000	45,200	5.00	45,200
Quill Building 10					
- HSBC Section 13	25-Mar-08	22,740	-	-	26,500
Tesco Building, Penang	7-Nov-08	132,000	140,000	15.49	139,700
Platinum Sentral	30-Mar-15	740,000	750,000	82.98	-
<u>Industrial building</u>					
Quill Building 8					
- DHL XPJ	25-Mar-08	28,800	26,400	2.92	26,400
		<u>1,457,540</u>	<u>1,569,800</u>		<u>837,700</u>

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

14. Investment properties (cont'd.)

On 14 August 2008, the respective pieces of the land on which QB1 and QB4 are situated have been amalgamated pursuant to the conditions imposed by the SC during the initial public offering of MQREIT. As such, the valuations for QB1 and QB4 have since been carried out based on the amalgamated properties.

Investment properties are stated at fair value, which has been determined based on valuations performed by 2 external valuers, namely DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd., and CH Williams Talhar & Wong Sdn. Bhd.; independent firms of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment, comparison and cost methods of valuation.

Investment properties are stated at fair value, which has been determined based on valuations performed by 2 external valuers, namely DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd., and CH Williams Talhar & Wong Sdn. Bhd.; independent firms of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment, comparison and cost methods of valuation.

MQREIT acquired Platinum Sentral on 30 March 2015, with the acquisition price of RM740 million of which the purchase consideration was settled via issuance of new MQREIT's units and private placement as disclosed in Note 21. Capital expenditure of RM8,920,867 was incurred for the acquisition of Platinum Sentral during the financial year ended 31 December 2015.

On 4 September 2015, MQREIT has disposed off QB10 with the net carrying amount of RM26.5 million, at the sale consideration of RM27.3 million, in accordance with the terms and conditions of the SPA executed on 25 February 2015.

Investment properties with net carrying amount totalling RM1,494,300,000 (2014: RM736,800,000) are pledged as securities for borrowings as disclosed in Note 20.

No provision for deferred tax liability has been made in respect of fair value gains to the investment properties as MQREIT intends to hold the properties on long term basis.

The investment properties are carried at a Level 2 fair value measurement hierarchy as defined in Note 3.19. There have been no transfers between Level 1 and Level 2 during the financial year ended 31 December 2015 and 31 December 2014.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

15. Derivatives

		Group	
		2015	2014
	Contract/ Notional Amount RM	Fair value of derivatives assets	
		RM	RM
Non-current			
Interest rate swap (Note 32 (i))	65 million	-	611,239
Interest rate swap (Note 32 (ii))	65 million	-	612,954
Interest rate swap (Note 32 (iii))	139.5 million	772,358	-
Interest rate swap (Note 32 (iv))	139.5 million	821,866	-
		<u>1,594,224</u>	<u>1,224,193</u>
Current			
Interest rate swap (Note 32 (i))	65 million	325,423	-
Interest rate swap (Note 32 (ii))	65 million	360,834	-
		<u>686,257</u>	<u>-</u>

The Group has entered into interest rate swap transactions to manage the risks associated with interest rate movement as disclosed in Note 32. The derivatives figures were obtained with reference to marked to market from reputable financial institutions as at the reporting date.

16. Lease receivable

	Group	
	2015	2014
	RM	RM
Non-current		
Lease receivable	<u>2,000,864</u>	<u>-</u>
Current		
Lease receivable	<u>409,684</u>	<u>-</u>

During the year, the Group had entered into a finance lease arrangement with a tenant (QB3) to part finance RM2.6 million of fit-out costs upon the renewal of tenancy agreement for another 10 years. The amount will be recovered through the top up rentals cumulatively amounted to RM3.5 million (at the approximate internal rate of return of 10.4% per annum).

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

17. Trade and other receivables

	Note	Group	
		2015 RM	2014 RM
Trade receivables, net	(a)	<u>2,078,001</u>	<u>1,639,923</u>
Other receivables			
Deposits		2,389,944	1,509,946
Prepayments		895,609	647,295
Sundry receivables	(b)	<u>284,572</u>	<u>2,344,984</u>
		<u>3,570,125</u>	<u>4,502,225</u>
Total trade and other receivables		5,648,126	6,142,148
Less: Prepayments		(895,609)	(647,295)
Add: Cash and cash equivalents (Note 18)		<u>44,863,963</u>	<u>23,288,996</u>
Total loans and receivables		<u>49,616,480</u>	<u>28,783,849</u>

(a) Trade receivables

Concentration of credit risk relating to trade receivables arises mainly due to majority of MQREIT's properties that are single-tenanted. However, the risk is mitigated by the tenants which are engaged in diversified businesses and are of good quality and strong credit standing.

Trade receivables are non interest-bearing and are generally on 7 to 30-day terms (2014: 7 to 30-day terms). They are recognised at the original invoice amounts which represent their fair values on initial recognition.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

17. Trade and other receivables (cont'd.)

(a) Trade receivables (cont'd.)

Ageing analysis of trade receivables

The ageing analysis of MQREIT's trade receivables is as follows:

	Group	
	2015	2014
	RM	RM
Neither past due nor impaired	1,672,495	1,229,740
1 - 30 days past due not impaired	111,065	88,991
31 - 60 days past due not impaired	156,958	66,632
61 - 90 days past due not impaired	70,175	254,560
More than 90 days past due not impaired	134,680	-
	<u>472,878</u>	<u>410,183</u>
	2,145,373	1,639,923
Less : Allowance for impairment loss	(67,372)	-
	<u>2,078,001</u>	<u>1,639,923</u>

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Receivables that are past due but not impaired

The Group have trade receivables amounted to RM472,878 (2014: RM410,183) that are past due at the reporting date but not impaired.

Trade receivables from tenants are secured by security deposits.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2015	2014
	RM	RM
Trade receivables - nominal amounts (after offsetting security deposits)	67,372	-
Less : Allowance for impairment loss	(67,372)	-
	<u>-</u>	<u>-</u>

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

17. Trade and other receivables (cont'd.)

(a) Trade receivables (cont'd.)

Movement in trade receivables allowance accounts:

	Group	
	2015	2014
	RM	RM
At beginning of the year	-	-
Charge for the year	67,372	-
At end of the year	<u>67,372</u>	<u>-</u>

The Manager assesses at each reporting date whether there is any objective evidence that the trade receivable is impaired. The Manager makes an allowance for impairment loss after considering factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

(b) Sundry receivables

MQREIT has no significant concentration of credit risk that may arise from exposures to a single debtor or group of debtors relating to sundry receivables.

18. Cash and cash equivalents

	Group	
	2015	2014
	RM	RM
Deposits with licensed financial institutions	38,636,273	14,863,008
Cash on hand and at banks	6,227,690	8,425,988
	<u>44,863,963</u>	<u>23,288,996</u>

Included in deposits with licensed financial institutions is an amount of RM4,610,949 (2014: RM4,463,308) maintained in the debt service reserves accounts which are assigned for the borrowings as disclosed in Note 20.

Included in cash on hand and at banks is an amount of RM5,238,102 (2014: RM5,089,385) maintained in the revenue and operations accounts which are assigned for the borrowings as disclosed in Note 20.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

18. Cash and cash equivalents (cont'd.)

The weighted average EIR of deposits at the reporting date were as follows:

	Group	
	2015	2014
Deposits with licensed financial institutions (per annum)	3.87%	3.17%

The average maturities of deposits of the Group as at the end of the financial year were 58 days (2014: 36 days).

19. Trade and other payables

	Note	Group	
		2015	2014
		RM	RM
Trade payables			
Trade payables	(a)	2,329,859	2,644,957
Trade accruals		3,055,882	2,958,145
		<u>5,385,741</u>	<u>5,603,102</u>
Other payables			
Amount due to the Manager	(b)	2,699,250	1,481,173
Other payables	(a)	752,436	1,693,812
Accruals		4,737,412	3,463,101
		<u>8,189,098</u>	<u>6,638,086</u>
Total trade and other payables		13,574,839	12,241,188
Add: Borrowings (Note 20)		689,721,862	305,113,452
Add: Security deposits		18,088,140	9,767,064
Total financial liabilities carried at amortised cost		<u>721,384,841</u>	<u>327,121,704</u>

(a) Trade and other payables

Trade and other payables are normally settled between 30 to 90 days (2014: 30 to 90 days).

(b) Amount due to the Manager

Amount due to the Manager is unsecured, non-interest bearing and repayable on demand.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

20. Borrowings

	Note	Group 2015 RM	2014 RM
Non-current			
Secured:			
CPs/MTNs Programme of up to RM270 million	(a)	-	188,834,344
Fixed Rate Term Loan Facility of up to RM150 million	(b)	116,475,715	116,279,108
Senior CPs/MTNs Programme of up to RM290 million	(c)	274,930,520	-
Fixed Rate Subordinated Term Loan Facility of up to RM250 million	(c)	109,405,371	-
		<u>500,811,606</u>	<u>305,113,452</u>
Current			
Secured:			
CPs/MTNs Programme of up to RM270 million	(a)	188,910,256	-
		<u>188,910,256</u>	<u>-</u>

The maturities of the Group's borrowings as at 31 December 2015 are as follows:

	Group 2015 RM	2014 RM
Less than 1 year	188,910,256	-
More than 1 year and less than 5 years	500,811,606	305,113,452
	<u>689,721,862</u>	<u>305,113,452</u>

Other information on financial risks on borrowings are disclosed in Note 36(a) and 36(c).

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

20. Borrowings (cont'd.)

(a) CPs/MTNs Programme of up to RM270 million ("RM270 million Programme")

The RM270 million Programme is analysed as follows:

	Group	
	2015	2014
	RM	RM
Face value of CPs/MTNs issued	195,000,000	205,000,000
Discount	(2,814,219)	(2,968,419)
Cash proceeds	192,185,781	202,031,581
Accretion of interest expense	1,812,828	2,034,984
	<u>193,998,609</u>	<u>204,066,565</u>
Transaction costs carried forward	(232,221)	(376,089)
Amortisation of transaction costs during the year	162,200	198,863
Transaction costs on CPs issued during the year	(18,332)	(54,995)
	<u>193,910,256</u>	<u>203,834,344</u>
Redeemed on 3 June 2015/5 September 2014	(5,000,000)	(15,000,000)
	<u>188,910,256</u>	<u>188,834,344</u>

On 18 July 2011, MQREIT through its SPE, Kinabalu Capital Sdn. Bhd. ("Kinabalu") established a CPs/MTNs Programme of up to RM270 million ("RM270 million Programme") for 5 years.

CPs totalling RM12 million and MTNs totalling RM60 million were issued on 5 September 2011, the proceeds of which were utilised towards the settlement of the RM80 million 5-year Term Loan Facilities.

CPs totalling RM118 million were issued on 30 November 2011, the proceeds of which were utilised towards the settlement of the RM118 million of CPs outstanding under the RM118 million Programme which matured on 30 November 2011.

CPs totalling RM5 million were issued on 3 March 2015 at the interest rate of 4.19% per annum and were since repaid on 3 June 2015.

The CPs/MTNs outstanding at 31 December 2015 are subject to interest at the following interest rates per annum as at the reporting date:

	2015	2014
	%	%
RM12 million nominal value CPs	4.26	4.16
RM60 million nominal value MTNs	4.90	4.90
RM118 million nominal value CPs	4.26	4.16

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

20. Borrowings (cont'd.)

**(a) CPs/MTNs Programme of up to RM270 million ("RM270 million Programme")
 [(cont'd.)]**

The interest rates for the CPs are subject to interest rate swap arrangements as disclosed in Note 32.

The transaction costs relating to the programme are amortised over the tenure of the programme and are charged to profit or loss. The transaction costs relating to the RM5 million CPs amounted to RM18,332 were charged to profit or loss during the year.

The RM270 million Programme is secured, inter-alia by the following:

- (i) Third party first legal charge by the Trustee over QB1, QB4, QB2 and Tesco, disclosed as investment properties in Note 14 (collectively, the "Secured Properties");
- (ii) First party debenture over all present and future assets of Kinabalu;
- (iii) An undertaking from the Manager:
 - (a) to deposit all rental income cashflows generated from the Secured Properties into the revenue accounts; and
 - (b) that it shall not declare any dividends/distributions to unitholders if:
 - an event of default has occurred under the Transaction Documents is continuing and has not been waived; or
 - the financial covenants are not met prior and after such distribution;
- (iv) First legal charge or assignment by the Trustee for the revenue accounts, operations accounts and a first party assignment by Kinabalu for the debt service reserves account;
- (v) Third party assignment of all the proceeds under the tenancy/lease agreements of the Secured Properties;
- (vi) Third party assignment over all rights and benefits under all the insurance policies in relation to the Secured Properties;

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

20. Borrowings (cont'd.)

(a) CPs/MTNs Programme of up to RM270 million ("RM270 million Programme")
[(cont'd.)]

The RM270 million Programme is secured, inter-alia by the following: (cont'd.)

- (vii) An irrevocable Power of Attorney granted by the Trustee in favour of the Security Agent to dispose the Secured Properties upon occurrence of a trigger event;
- (viii) First legal assignment over the REIT Trustee Financing Agreement entered into between Kinabalu and the Trustee for the advancement of fund from Kinabalu to the Trustee; and
- (ix) Third party first legal charge over the entire shares of Kinabalu.

(b) Fixed Rate Term Loan Facility of up to RM150 million ("RM150 million Term Loan")

The RM150 million 5-year Term Loan Facilities are analysed as follows:

	2015 RM	2014 RM
Term loan drawdown	117,000,000	117,000,000
Transaction costs carried forward	(720,892)	(917,499)
	<u>116,279,108</u>	<u>116,082,501</u>
Amortisation of transaction costs	196,607	196,607
	<u>116,475,715</u>	<u>116,279,108</u>

On 18 July 2013, MQREIT through its SPE, Trusmadi Capital Sdn. Bhd. ("Trusmadi"), established a RM150 million Fixed Rate Term Loan Facility agreement for 5 years ("RM150 million Term Loan").

On 13 September 2013, Tranche 1 of the Facility of RM117 million at the interest rate of 4.60% per annum was drawdown to repay the RM117 million MTN outstanding under the RM134 million CP/MTN Programme which matured on 13 September 2013. Tranche 2 will be used for capital expenditure and investments at the Reference Malaysian Government Securities ("MGS") + 1.4% per annum.

The transaction costs relating to the programme are amortised over the tenure of the programme and are charged to profit or loss.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

20. Borrowings (cont'd.)

(b) Fixed Rate Term Loan Facility of up to RM150 million ("RM150 million Term Loan") [(cont'd.)]

The RM150 million Term Loan is secured, inter-alia by the following:

- (i) Third party first legal charge over WT, QB8 and QB5, respectively disclosed as investment properties in Note 14 (collectively, the "Charged Properties");
- (ii) Third party legal assignment of the SPA for the acquisitions of part of PMK, respectively disclosed as investment properties in Note 14 (collectively, the "Assigned Properties");
- (iii) First party debenture over all present and future assets of Trusmadi;
- (iv) An undertaking from the Manager:
 - (a) to deposit all income/insurance proceeds generated from the Charged and Assigned Properties (collectively, the "Secured Properties") into revenue accounts; and
 - (b) that it shall not declare any dividends/distributions to unitholders if:
 - an event of default has occurred under the Transaction Documents, is continuing and has not been waived; or
 - the financial covenants are not met prior and after such distribution;
- (v) First legal charge or third party assignment by the Trustee for the revenue accounts, operations accounts and a first party assignment by Trusmadi for the debt service reserves account;
- (vi) Third party legal assignment of all the proceeds under the tenancy/lease agreements of the Secured Properties;
- (vii) Third party assignment over all rights, title, interest and benefits under all the insurance policies in relation to the Secured Properties;
- (viii) First legal assignment over the REIT Trustee Financing Agreement entered into between Trusmadi and the Trustee; and
- (ix) Third party first legal charge over the entire shares of Trusmadi.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

20. Borrowings (cont'd.)

- (c) Senior CPs/MTNs Programme of up to RM290 million ("Senior CP/MTN Programme"), Junior CPs/MTNs Programme of up to RM450 million ("Junior CP/MTN Programme") and Fixed Rate Subordinated Term Loan Facility of up to RM250 million ("Fixed Rate Subordinated Term Loan")

	2015 RM
<u>Senior CP/MTN Programme</u>	
Face value of CPs issued/rollover	279,000,000
Discount	<u>(2,949,298)</u>
Cash proceeds	276,050,702
Accretion of interest expense	<u>64,820</u>
	276,115,522
Transaction costs on CPs issued during the year	(1,422,002)
Amortisation of transaction costs during the year	<u>237,000</u>
	<u>274,930,520</u>
<u>Junior CP/MTN Programme</u>	
Face value of CPs issued	140,000,000
Discount	<u>(3,373,501)</u>
Cash proceeds	136,626,499
Accretion of interest expense	<u>3,373,501</u>
	140,000,000
Transaction costs on CPs issued during the year	(83,244)
Amortisation of transaction costs during the year	83,244
Redeemed on 30 September 2015	<u>(140,000,000)</u>
	<u>-</u>
<u>Fixed Rate Subordinated Term Loan</u>	
Term Loan drawdown	110,000,000
Transaction costs on Term Loan	<u>(630,305)</u>
	109,369,695
Amortisation of transaction costs during the year	<u>35,676</u>
	<u>109,405,371</u>

On 13 March 2015, MQREIT through its SPE, Murud Capital Sdn. Bhd. ("Murud") established a RM290 million Senior CP/MTN Programme and Junior CP/MTN Programme of up to RM450 million for 5 years.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

20. Borrowings (cont'd.)

- (c) Senior CPs/MTNs Programme of up to RM290 million ("Senior CP/MTN Programme"), Junior CPs/MTNs Programme of up to RM450 million ("Junior CP/MTN Programme") and Fixed Rate Subordinated Term Loan Facility of up to RM250 million ("Fixed Rate Subordinated Term Loan") [(cont'd.)]

On 30 March 2015, RM279 million nominal values of Senior CPs were issued at an interest rate of 4.13% per annum. Junior CPs of RM140 million nominal values were issued at an interest rate of 4.78% per annum where the effective rate is 4.9% per annum. These Junior CPs had been redeemed on 30 September 2015 upon its maturity, and had been refinanced by a Fixed Rate Subordinated Term Loan of RM110 million at the interest rate of 4.9% per annum and balance via proceeds from disposal of QB10 and internal funds.

The CPs/Term Loan outstanding at 31 December 2015 are subject to interest at the following interest rates per annum as at the reporting date:

	2015
	%
RM279 million nominal value CPs	4.24
RM110 million nominal value Term Loan	4.90

The interest rates for the CPs are subject to interest rate swap arrangements as disclosed in Note 32.

The transaction costs relating to the programmes are amortised over the tenure of the programmes and are charged to profit or loss.

The programmes are secured, inter-alia by the following:

- (i) A third party first ranking legal charge over Platinum Sentral, disclosed as investment properties in Note 14 ("Property");
- (ii) A first party first ranking debenture over all present and future assets of Murud;
- (iii) An irrevocable and unconditional undertaking from the Manager:
 - (a) to deposit all rental, deposits, other income, insurance claim proceeds in relation to the Property and any proceeds generated from the Property into the revenue account; and

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

20. Borrowings (cont'd.)

- (c) Senior CPs/MTNs Programme of up to RM290 million ("Senior CP/MTN Programme"), Junior CPs/MTNs Programme of up to RM450 million ("Junior CP/MTN Programme") and Fixed Rate Subordinated Term Loan Facility of up to RM250 million ("Fixed Rate Subordinated Term Loan") [(cont'd.)]

The programmes are secured, inter-alia by the following: (cont'd.)

- (iii) An irrevocable and unconditional undertaking from the Manager: (cont'd.)

(b) that it shall not declare any dividends/distributions to unitholders if:

- an event of default has occurred under the Transaction Documents, is continuing and has not been waived or remedied, or following such declaration of dividends or distributions, an event of default would occur; or
- the financial covenants are not met prior to and/or after such distribution;

- (iv) Third party legal assignment of the SPA entered into between MSP ("Vendor") and the REIT Trustee on behalf of MQREIT in respect of the Property ("SPA");

- (v) Assignment and charge over the Designated Accounts as follows:

- (a) third party assignment and charge over the revenue account and operations account by the Trustee; and
- (b) first party assignment and charge of the debt service reserves account by Murud;

- (vi) Third party legal assignment of all the proceeds under the tenancy/lease agreements of the Property and any part thereof;

- (vii) Third party legal assignment over all rights, title, interest and benefits under all the insurance policies in relation to the Property;

- (viii) An irrevocable Power of Attorney to be granted by the Trustee in favour of the Security Trustee to manage and dispose of the Property upon declaration of a trigger event;

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

20. Borrowings (cont'd.)

- (c) Senior CPs/MTNs Programme of up to RM290 million ("Senior CP/MTN Programme"), Junior CPs/MTNs Programme of up to RM450 million ("Junior CP/MTN Programme") and Fixed Rate Subordinated Term Loan Facility of up to RM250 million ("Fixed Rate Subordinated Term Loan") [(cont'd.)]

The programmes are secured, inter-alia by the following: (cont'd.)

- (ix) Legal assignment over the REIT Trustee Financing Agreement entered into between Murud and the Trustee;
- (x) Third party first ranking legal charge over 100% of the shares of Murud; and
- (xi) Any other securities deemed appropriate and mutually agreed between Murud and the Lead Arranger prior to execution of all the Transaction Documents.

21. Unitholders' capital

	2015	2014
	No. of units	No. of units
<u>Approved fund size:</u>		
At beginning of the year	490,131,000	490,131,000
Increase in approved fund size	209,869,000	-
At end of the year	<u>700,000,000</u>	<u>490,131,000</u>
	No. of units	No. of units
<u>Issued and fully paid:</u>		
At beginning of the year	390,131,000	390,131,000
Issuance of new units on 30 March 2015	206,250,000	-
Private placement on 30 March 2015	65,000,000	-
At end of the year	<u>661,381,000</u>	<u>390,131,000</u>
	Amount	Amount
	RM	RM
<u>Issued and fully paid:</u>		
At beginning of the year	411,712,067	411,712,067
Issuance of new units on 30 March 2015	264,000,000	-
Private placement on 30 March 2015	78,000,000	-
Expenses on issuance of new units/placements	(2,435,710)	-
At end of the year	<u>751,276,357</u>	<u>411,712,067</u>

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

21. Unitholders' capital (cont'd.)

Issuance of 206,250,000 new MQREIT's units at an issue price of RM1.28 per unit and private placement of 65,000,000 units at RM1.20 per unit on 30 March 2015 were done as part of the purchase consideration for the acquisition of Platinum Sentral. The units were listed on the Main Market of Bursa Malaysia on 30 March 2015.

22. Investment in SPEs

Details of SPEs are as follows:

Name of SPEs	Country of incorporation	Principal activities	Proportion of controlling interest	
			2015 %	2014 %
Murud Capital Sdn. Bhd.	Malaysia	Facilitating financing for MQREIT	100	100
Trusmadi Capital Sdn. Bhd.	Malaysia	Facilitating financing for MQREIT	100	100
Samwise Capital Sdn. Bhd.	Malaysia	Facilitating financing for MQREIT	100	100
Kinabalu Capital Sdn. Bhd.	Malaysia	Facilitating financing for MQREIT	100	100

All the above subsidiaries are audited by Ernst & Young, Malaysia.

23. Capital commitments

	Group	
	2015 RM	2014 RM
<u>Capital expenditure commitments</u>		
Investment properties:		
Approved and contracted for	3,160,527	2,319,729

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

24. Operating lease

Operating lease commitments - as lessor

MQREIT has entered into leases on its investment properties. The non-cancellable leases have remaining lease terms of between one to seventeen years (2014: between one to eighteen years).

Future rentals receivable under non-cancellable leases at the reporting date are as follows:

	2015	2014
	RM	RM
Not later than 1 year	115,537,962	58,504,541
Later than 1 year but not later than 5 years	223,294,837	143,363,386
Later than 5 years	132,798,544	134,256,238
	<u>471,631,343</u>	<u>336,124,165</u>

25. Net asset value per unit

The calculation of net asset value per unit is based on 661,381,000 units (2014: 390,131,000 units) in circulation as at 31 December 2015.

26. Transactions with stockbroking companies

No transactions with stockbroking companies were made during the financial year.

27. Unitholdings by the Manager

As at 31 December 2015 and 2014, the Manager did not hold any units in MQREIT.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

28. Unitholders related to the Manager

		MQREIT		Market value	
No. of units	No. of units	Percentage	Percentage	2014	2015
2015	2014	of total	of total	RM	RM
		units	units		
		2015	2014		
		%	%		
206,250,000	-	31.18	-	222,750,000	
45,997,000	45,997,000	6.95	11.79	49,676,760	
48,767,000	48,767,000	7.37	12.50	52,668,360	
22,276,000	22,276,000	3.37	5.71	24,058,080	
323,290,000	117,040,000	48.88	30.00	349,153,200	

Malaysian Resources Corporation Berhad
HLIB Nominee (Tempatan) Sdn. Bhd. for:
Quill Properties Sdn. Bhd.
Quill Land Sdn. Bhd.
Quill Estates Sdn. Bhd.

The Manager's directors' direct unitholding in MQREIT:

Dato' Dr. Low Moi Ing, J.P.	50,000	0.01	0.01	54,000
Dato' Michael Ong Leng Chun	55,000	0.01	0.01	59,400
Datuk Dr. Mohamed Anif Bin Nun	10,000	0.00	0.00	10,800
Aw Hong Boo *	-	-	0.01	-
(Alternate to Dato' Dr. Low Moi Ing, J.P.)				

* As announced on 4 November 2015, and with effect from even date, Mr Aw Hong Boo has resigned as Non-Independent and Non-Executive Director, to pursue other interest.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

28. Unitholders related to the Manager (cont'd.)

The Manager's directors' indirect unitholding in MQREIT:

Note	No. of units 2015	No. of units 2014	MQREIT		Market value 2015 RM
			Percentage of total units 2015 %	Percentage of total units 2014 %	
Dato' Dr. Low Moi Ing, J.P.	(a) 117,040,000	117,040,000	17.70	30.00	126,403,200
Dato' Michael Ong Leng Chun	(b) 117,040,000	117,040,000	17.70	30.00	126,403,200

(a) Deemed interest by virtue of her direct shareholding in QPSB, QLSB and QESB.

(b) Deemed interest by virtue of his direct shareholding in QPSB, QLSB and QESB.

The market value of the units held by the unitholders related to the Manager is determined by using the closing market value of MQREIT as at 31 December 2015 of RM1.08 per unit (2014: RM1.17 per unit).

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

29. Portfolio turnover ratio

	Group 2015	2014
Portfolio turnover ratio ("PTR") [(times)]	0.46	-

PTR is the ratio of the average of acquisitions and disposals of investments for the period to the average net asset value of MQREIT for the period calculated on a monthly basis.

Since the basis of calculating the PTR can vary among the REITs, there is no sound basis for providing an accurate comparison of MQREIT against other REITs.

30. Management expense ratio

	Group 2015	2014
	%	%
Management expense ratio ("MER")	1.19	1.10

MER is calculated based on the total fees including manager's fees, trustee's fee, valuation fee and administration expenses charged to MQREIT divided by the average net asset value during the year.

Since the average net asset value of MQREIT is calculated on a monthly basis, the MER of MQREIT may not be comparable to the MER of other REITs or unit trusts which may use a different basis of calculation.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

31. Related parties transactions

The related parties transactions other than as disclosed in Note 7 are as follows:	Group 2015 RM	2014 RM
(i) Fit-out works for QB3	2,600,000	-
(ii) Asset enhancement for WT	176,536	4,176,241
(iii) Toilet refurbishment work for QB2	1,532,654	-
(iv) Ad hoc repair work for QB2	7,130	-
(v) Tenancy agreement with Prema Bonanza Sdn. Bhd.	811,853	-
(vi) Car park income from Semasa Parking Sdn. Bhd.	1,426,669	-
(vii) Auxiliary police services with Semasa Sentral Sdn. Bhd.	428,220	-
(viii) Supply of chilled water services with Semasa District Cooling Sdn. Bhd.	2,281,709	-
(ix) Encroachment of land at Platinum Sentral	67,078	-
(x) Consultancy and project management services for QB2 car park	-	-
	9,331,849	4,176,241

Details of material contract with the related parties other than as disclosed in Note 7 are as follows:

- (i) Fit-out works for QB3 of RM2.6 million payable to QCSB, has been financed by MQREIT, to secure top up rentals with tenants under a long term 10-year lease agreement as disclosed in Note 16.

QCSB is a member of the Quill Group, and is related to MQREIT's major unitholders namely QPSB, QLSB, QESB and two of the directors of MQREIT's Manager, namely Dato' Dr. Low Moi Ing, J.P. and Dato' Michael Ong Leng Chun.

- (ii) Award of a contract of asset enhancement works of RM6.32 million to QCSB, by the Manager on 25 October 2013; the amount billed and paid for during the financial year ended 31 December 2015 amounted to RM176,536.
- (iii) Award of a contract for toilet refurbishment works for QB2 of RM1.68 million to ACSB, by the Manager on 12 February 2015.

Total amount accounted for the year ended 31 December 2015 is RM1,532,654.

ACSB is related to Quill Group, and owned by two of the directors of MQREIT's Manager, namely Dato' Dr. Low Moi Ing, J.P. and Dato' Michael Ong Leng Chun.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

31. Related parties transactions (cont'd.)

Details of material contract with the related parties other than as disclosed in Note 7 are as follows: (cont'd.)

- (iv) Ad hoc repair work for QB2 to supply and install glass panel at office lobby done by ACSB, after finalising and awarded in view of the lowest quotation amongst other vendors, the amount incurred was RM7,130.
- (v) Renewed tenancy agreement of the premises known as Unit G02-G0, Ground Floor at Platinum Sentral to PBSB for a term of one year. The total rental received for the financial year ended 31 December 2015 amounted to RM811,853.

PBSB is a 51% subsidiary of MRCB, which is a major unitholder of MQREIT and a major shareholder of the Manager. The balance 49% shareholding in PBSB is held by QRSB, a member of the Quill Group, which is also related to MQREIT's major unitholders namely QPSB, QLSB, QESB as well as QRHSB which is a major shareholder of the Manager.

- (vi) Car park operation agreement with SPSB to appoint SPSB as the sole car park operator vested with car park operations rights including occupying, managing and operating car park charges in respect of car parking bays located at Platinum Sentral; from April 2015 up to December 2015 amounted to RM1,426,669.

SPSB is a wholly owned subsidiary of MRCB.

- (vii) Auxiliary police services with SSRV for deployment of auxiliary police personnel at Platinum Sentral, from April 2015 up to December 2015, amounted to RM428,220.

SSRV is a wholly owned subsidiary of MRCB.

- (viii) Supply of chilled water by SDCSB for installation, maintenance and meter reading for Platinum Sentral, the year to date charges amounted to RM2,281,709.

SDCSB is a wholly owned subsidiary of MRCB.

- (ix) Lease agreement with MRSSB on encroachment on 2 pieces of land located on Platinum Sentral, measuring total NLA of 156,959 sq. ft., amounted to RM67,078.

MRSSB is a wholly owned subsidiary of MRCB.

- (x) The Manager has appointed QCSB as consultant and project manager for consultancy and project management services for the proposed multi-storey car park construction at QB2 for a contract sum of RM925,614 exclusive of GST. The work has yet to be commenced as of 31 December 2015.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

32. Interest rate swap ("IRS") arrangements

As part of the active interest rate management strategy of MQREIT, the following IRS arrangements have been entered into:

- (i) On 21 November 2011, an IRS arrangement swapping floating rate for fixed rate for a notional amount RM65 million ("IRS No. 5") was entered into in relation to the RM130 million nominal value CPs issued (Note 20(a)) with HSBC Bank ("HSBC"). Pursuant to IRS No. 5, MQREIT will pay a fixed rate of 3.34% per annum to HSBC whilst HSBC will pay a floating rate to MQREIT. IRS No. 5 commenced on 30 November 2011 and will mature on 5 September 2016.
- (ii) On 21 November 2011, an IRS arrangement swapping floating rate for fixed rate for a notional amount RM65 million ("IRS No. 6") was entered into in relation to the RM130 million nominal value CPs issued (Note 20(a)) with CIMB Bank ("CIMB"). Pursuant to IRS No. 6, MQREIT will pay a fixed rate of 3.34% per annum to CIMB whilst CIMB will pay a floating rate to MQREIT. IRS No. 6 commenced on 30 November 2011 and will mature on 5 September 2016.
- (iii) On 21 April 2015, an IRS arrangement swapping floating rate for fixed rate for a notional amount of RM139.5 million ("IRS No. 7") was entered into in relation to the RM279 million CPs (Note 20(c)) with HSBC. Pursuant to IRS No. 7, MQREIT will pay a fixed rate of 3.82% per annum to HSBC whilst HSBC will pay a floating rate to MQREIT. IRS No. 7 commenced on 21 April 2015 and will mature on 30 March 2020.
- (iv) On 21 April 2015, an IRS arrangement swapping floating rate for fixed rate for a notional amount of RM139.5 million ("IRS No. 8") was entered into in relation to the RM279 million CPs (Note 20(c)) with CIMB. Pursuant to IRS No. 8, MQREIT will pay a fixed rate of 3.82% per annum to CIMB whilst CIMB will pay a floating rate to MQREIT. IRS No. 8 commenced on 21 April 2015 and will mature on 30 March 2020.

The differences between the floating rate and the fixed rate of the respective IRS arrangements are settled between MQREIT and the banks (HSBC and CIMB) semi-annually for IRS No. 5 and IRS No. 6 and quarterly for IRS No. 7 and IRS No. 8. These are charged or credited to profit or loss accordingly.

The risk associated with the IRS arrangements above would be credit risk, which is the counterparty risk of the financial institutions with whom the IRS were contracted. However, the Manager has taken precaution to mitigate this risk by entering into the IRS contracts with reputable licensed financial institutions.

The fair values of the IRS arrangements are the estimated amount that would be received or paid to terminate the IRS arrangements as at the reporting date, taking into account interest rate market conditions. The fair values are obtained based on quotes provided by the financial institutions.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

32. Interest rate swap ("IRS") arrangements (cont'd.)

MQREIT was eligible to apply hedge accounting for its IRS arrangements with effect from 1 October 2010, upon satisfying the requirements of the standard. Changes in fair values of the IRS arrangements were since recognised in OCI. Prior to adoption of hedge accounting, the fair value changes of the IRS arrangements were recognised in profit or loss.

The fair values of the derivatives and the maturity profile as at the respective dates are as follows:

	Group	
	2015	2014
	RM	RM
Less than 1 year	686,257	-
More than 1 year and less than 5 years	1,594,224	1,224,193
	<u>2,280,481</u>	<u>1,224,193</u>

33. Other significant events

- (a) **Proposed Acquisition; Proposed Placement; Proposed Authority to allot New Units for the purpose of the payment of Management Fee in the form of new Units; Proposed Increase in the existing Approved Fund Size; Proposed Change of Name and Proposed Amendments to the Trust Deed (collectively referred to as the "Proposals")**

As announced on 8 January 2015, the Trustee and MSP had, via a second supplemental letter dated 8 January 2015, mutually agreed to further extend the Conditional Period by a period of 3 months, thereby amending the last day of the Extended Conditional Period from 9 January 2015 to 9 April 2015 ("Further Extended Conditional Period"), to fulfil all the Conditions Precedent in the SPA.

For the purpose of clarification, the period for fulfilment of the condition precedent in clause 4.1(h) of the SPA, which is set out in Section 2.3(v)(h) of the announcement dated 10 April 2014 (such as the Trustee having received the proceeds from the Proposed Placement or from the underwriting of the Units in relation to the Proposed Placement), shall not be automatically extended by a further period of 3 months after the expiry of the Further Extended Conditional Period.

As announced on 22 January 2015, the listing application in respect of the listing of and quotation for the new Units to be issued pursuant to the Proposed Acquisition, Proposed Placement and Proposed Authority were submitted to Bursa Malaysia on 22 January 2015.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

33. Other significant events (cont'd.)

- (a) **Proposed Acquisition; Proposed Placement; Proposed Authority to allot new Units for the purpose of the payment of Management Fee in the form of new Units; Proposed Increase in the existing Approved Fund Size; Proposed Change of Name and Proposed Amendments to the Trust Deed (collectively referred to as the "Proposals") [(cont'd.)]**

As announced on 16 February 2015, Bursa Malaysia had, vide its letter dated 16 February 2015, approved the following:

- (i) listing of and quotation for 206,250,000 new Units to be issued pursuant to the Proposed Acquisition;
- (ii) listing of and quotation for up to 85,000,000 new Units to be issued pursuant to the Proposed Placement; and
- (iii) listing of and quotation for up to 18,619,000 new Units to be issued pursuant to the Proposed Authority.

The above approval granted by Bursa Malaysia was subject to the following conditions:

- (i) QCT and HLIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition, Proposed Placement and Proposed Authority;
- (ii) QCT and HLIB to inform Bursa Malaysia upon the completion of the Proposed Acquisition, Proposed Placement and Proposed Authority;
- (iii) QCT to furnish Bursa Malaysia with a certified true copy of the resolution passed by the unitholders in general meeting approving the Proposed Acquisition, Proposed Placement and Proposed Authority.

On 12 March 2015, QCT announced that its unitholders have supported and approved QCT's Proposed Acquisition of Platinum Sentral at the EGM held on 12 March 2015 and the unitholders of QCT have, at the Meeting held on the same day, approved all the resolutions as set out in the Notice of Meeting for the EGM, wherein all the resolutions were duly carried by way of poll.

As announced on 17 and 18 March 2015, following the book-building exercise, the Board had, on 17 March 2015 ("Pre-Fixing Date"), fixed the issue price of the Placement Units at RM1.20 per Unit, representing a discount of approximately 1.86% or RM0.0227 to the 5-day VWAMP of the Units up to and including 16 March 2015, being the last trading date immediately prior to the Price-Fixing Date, of RM1.2227. The total of 65,000,000 Units allocated to selected investors representing approximately 16.66% of the existing approved fund size of QCT of 390,131,000 units, raised gross proceeds of approximately RM78,000,000.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

33. Other significant events (cont'd.)

- (a) Proposed Acquisition; Proposed Placement; Proposed Authority to allot new Units for the purpose of the payment of Management Fee in the form of new Units; Proposed Increase in the existing Approved Fund Size; Proposed Change of Name and Proposed Amendments to the Trust Deed (collectively referred to as the "Proposals") [(cont'd.)]

An announcement was made on 24 March 2015, that all the conditions precedent under the SPA for the Proposed Acquisition were fulfilled on 23 March 2015. Accordingly the SPA for the Proposed Acquisition had become unconditional on even date.

As announced in the Trust's Additional Listing Announcement on 27 March 2015, a private placement of 65,000,000 units was placed at the unit price of RM1.20 per Unit and listed on the Main Market of Bursa Malaysia on 30 March 2015. In the same announcement, 206,250,000 new Units was issued to MSP, a wholly-owned subsidiary of MRCB at an issue price of RM1.28 per Unit pursuant to the Proposed Acquisition of Platinum Sentral.

As announced on 30 March 2015, 65,000,000 Placement Units issued pursuant to the Proposed Placement and 206,250,000 Consideration Units issued pursuant to the Proposed Acquisition have been listed and quoted on the Main Market of Bursa Malaysia on 30 March 2015, thereby marking the completion of the Proposed Placement and Proposed Acquisition.

As announced on 31 March 2015, the proposed change in shareholding structure of QCM was completed on the even day.

As announced on 21 April 2015, the Third Supplemental Deed dated 2 April 2015 governing QCT ("Third Supplemental Deed") has been registered by and lodged with the SC on 14 April 2015 and 20 April 2015 respectively. The Third Supplemental Deed takes effect from 14 April 2015 and the name of QCT has been changed from "Quill Capita Trust" to "MRCB-Quill REIT".

As announced on 25 May 2015, the management company of MRCB-Quill REIT (formerly known as Quill Capita Trust) has changed its name from "Quill Capita Management Sdn. Bhd." to "MRCB Quill Management Sdn. Bhd.".

As announced on 16 February 2015, Bursa Malaysia had, via its letter dated 16 February 2015, approved the listing of and quotation for up to 18,619,000 new Units for the purpose of the payment of management fee.

As announced on 23 July 2015, an application has been submitted to Bursa Malaysia to seek for extension of 6 months from 16 August 2015 to 15 February 2016 for the Proposed Authority. Announcement has been made on 30 July 2015 that Bursa Malaysia had, vide its letter dated 29 July 2015, approved an extension of time from 16 August 2015 to 15 February 2016 pursuant to Paragraph 6.62(1) of the Main Market Listing Requirements of Bursa Malaysia.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

33. Other significant events (cont'd.)

(b) Proposed disposal of QB10

As announced on 25 February 2015, the Trustee, acting solely in the capacity as trustee for and on behalf of QCT, had entered into a SPA with Aldwych Capital Sdn. Bhd. (formerly known as Superplis Trading Sdn. Bhd.) for the disposal of a 5-storey office building together with a level of basement car park located at No. 2A, Lorong 13/6A, Section 13, 46200 Petaling Jaya, Selangor erected on a parcel of leasehold land held under Pajakan Negeri 3699, Lot 57 Seksyen 13, in the town of Petaling Jaya, District of Petaling and state of Selangor for a cash consideration of RM27.3 million.

As announced on 7 September 2015, the Proposed Disposal was completed on 4 September 2015 in accordance with the terms and conditions of the SPA executed on 25 February 2015.

(c) Award of Contract to a Related Party (under Paragraph 9.43(1) of the Main Market Listing Requirements)

As announced on 13 November 2015, the Board of Directors of MQM, the management company of MQREIT on behalf of MQREIT, has appointed QCSB as consultant and project manager for consultancy and project management services for the proposed multi-storey car park construction at QB2 for a contract sum of RM925,614 exclusive of GST ("Appointment").

The transaction with QCSB is regarded as a RPT by virtue of QCSB being a company within the Quill Group and is related to MQREIT's major unitholders namely QPSB, QLSB, QESB, as well as QRHSB.

(d) Execution of Heads of Agreement ("HOA") between MQREIT and 348 Sentral Sdn. Bhd. ("Vendor"), a wholly-owned subsidiary of MRCB

As announced on 3 December 2015, the Trustee, had on 3 December 2015, entered into HOA with the Vendor for the proposed acquisition of a 33 storey office tower known as Menara Shell together with a 5 storey podium and 4 storey basement car park, bearing the postal address of No. 211, Jalan Tun Sambanthan, 50470 Kuala Lumpur, Wilayah Persekutuan, Malaysia (collectively "the Property") erected on part of a freehold land held under Geran 40094, Lot 348, Section 72, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur for a purchase consideration of RM640 million ("Proposed Acquisition").

The purchase consideration of RM640 million for the Proposed Acquisition is based on valuation and is subject to such adjustment (if any) prior to the execution of the definitive SPA. The purchase price will be satisfied by MQREIT via a combination of cash and issuance of new MQREIT units, which allocation shall be mutually determined and agreed upon prior to the execution of the SPA.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

33. Other significant events (cont'd.)

- (d) Execution of Heads of Agreement ("HOA") between MQREIT and 348 Sentral Sdn. Bhd. ("Vendor"), a wholly-owned subsidiary of MRCB (cont'd.)

The Proposed Acquisition shall be conditional upon, among others, approvals being obtained from the shareholders of the Vendor and MRCB, unitholders of MQREIT and the relevant authorities.

The Proposed Acquisition is subject to a SPA to be entered into between the Trustee and the Vendor (collectively, the "Parties") within 30 business days from the date of the HOA ("Cut-Off Date") with an automatic extension of a further period of 30 business days in the event that MQREIT is unable to complete its due diligence investigations by the Cut-Off Date, and thereafter, such further extension of time as may be mutually agreed.

During this time, or up to the date when the Parties have entered into a definitive SPA, the Parties agree to co-operate exclusively with each other with respect to the Proposed Acquisition.

A detailed announcement will be made upon signing of the SPA.

Astramina Advisory Sdn. Bhd. has been appointed as Transaction Arranger for the Proposed Acquisition.

- (e) **Renewal of tenancy with a Related Party (under Paragraph 9.43(1) of the Main Market Listing Requirements)**

As announced on 14 December 2015, the Trustee, had on 14 December 2015 renewed the tenancy of the premises known as Unit G02-G04, Ground Floor at Platinum Sentral to PBSB for a term of one year with an option to renew for a further term of one year at an estimated annual rental of RM787,000 ("Tenancy Renewal").

PBSB was incorporated in Malaysia under the Companies Act, 1965 on 11 December 2006 and its principal activity is property development.

PBSB is a 51% subsidiary of MRCB, which is a major unitholder of MQREIT and a major shareholder of the Manager. The balance 49% shareholding in PBSB is held by QRSB, a member of the Quill Group, which is also related to MQREIT's major unitholders namely QPSB, QLSB, QESB as well as QRHSB which is a major shareholder of the Manager.

The Tenancy Renewal will not have any material effect on earnings, NAV and gearing of MQREIT. The Audit Committee is of the opinion that the terms of the Tenancy Renewal are fair, reasonable and on normal commercial terms and will not be detrimental to the interests of the non-interested unitholders of MQREIT.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

34. Subsequent event

Proposed Authority to allot new Units for the purpose of the payment of Management Fee in the form of new Units ("Proposed Authority")

Pursuant to Paragraph 6.62(1) of the Main Market Listing Requirements of Bursa Malaysia, stipulates that a proposal relating to the issuance of securities must be completed within 6 months from the date of listing approval by Bursa Malaysia, failing which the listing approval given with regard to the proposal will lapse.

As announced on 28 January 2016, an application has been submitted to Bursa Malaysia on 28 January 2016 to seek a further extension of time of 6 months from 16 February 2016 to 15 August 2016 to implement the Authority.

35. Fair value of financial instruments

(a) Fair value of financial instruments by classes that are not carried at fair value are as follows:

	Note	Group Carrying value RM	Fair value RM
Financial liabilities:			
At 31 December 2015			
<u>Non-current</u>			
Fixed Rate Term Loan Facility of up to RM150 million	20	116,475,715	117,000,000
Senior CPs/MTNs Programme of up to RM290 million	20	274,930,520	276,251,850
Fixed Rate Subordinated Term Loan Facility of up to RM250 million	20	109,405,371	110,000,000
Security deposits		<u>15,572,463</u>	<u>13,233,094</u>
At 31 December 2014			
<u>Non-current</u>			
CPs/MTNs Programme of up to RM270 million	20	188,834,344	189,601,323
Fixed Rate Term Loan Facility of up to RM150 million	20	116,279,108	117,000,000
Security deposits		<u>7,503,503</u>	<u>6,347,581</u>

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

35. Fair value of financial instruments (cont'd.)

(b) Determination of fair value

The fair values of long term borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

The fair value of security deposits is estimated based on the current cost of funds.

The following methods and assumptions were used to estimate the fair values of the following classes of financial instruments:

Cash and cash equivalents, trade and other receivables, trade and other payables, security deposits and short term borrowings.

The carrying balances of these financial instruments approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

Derivatives

IRS contracts are valued using reference to their marked to market fair values as at the reporting date quoted by the financial institution.

(c) Fair value hierarchy

The Group uses the hierarchy as per Note 3.19 for determining and disclosing the fair value of financial instruments.

As at 31 December 2015, the Group held the following financial instruments carried at fair value in the statement of financial position:

Assets measured at fair value

	2015 RM	Level 1 RM	Level 2 RM	Level 3 RM
Derivatives				
- non-current	1,594,224	-	1,594,224	-
- current	686,257	-	686,257	-

During the financial year ended 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
 [Formerly known as Quill Capita Trust ("QCT")]

35. Fair value of financial instruments (cont'd.)

(c) Fair value hierarchy (cont'd.)

As at 31 December 2015, the Group held the following financial instruments carried at fair value in the statement of financial position: (cont'd.)

Assets measured at fair value (cont'd.)

	2014 RM	Level 1 RM	Level 2 RM	Level 3 RM
Derivatives				
- non-current	1,224,193	-	1,224,193	-
- current	-	-	-	-

During the financial year ended 31 December 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

36. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and use of financial instruments, including interest rate risk, credit risk, liquidity risk and market risk.

The Group has a system of controls in place to create an acceptable balance between the costs of risks occurring and the costs of managing the risks. The Manager continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors the compliance with stated risk management policies and procedures, assisted by the internal auditor. The internal auditor undertakes regular review of risk management controls and procedures, the results of which are reported to the Audit Committee.

The following section provides details of the Group's exposures to the above mentioned risks and the objectives and policies for the management of these risks:

(a) Interest rate risk

The Group's exposure to changes in interest rates relates primarily to borrowings as disclosed in Note 20. Interest rate is managed on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. IRS arrangements have been entered into to partially manage the exposure to interest rate risk. Details of the IRS arrangements are as described in Note 32.

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

36. Financial risk management objectives and policies (cont'd.)

The following section provides details of the Group's exposures to the above mentioned risks and the objectives and policies for the management of these risks: (cont'd.)

(a) Interest rate risk (cont'd.)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, there is no impact on the Group's income net of tax as all of its floating rate borrowings have been hedged under the IRS arrangements as described in Note 32. The assumed movement in basis point for the interest rate sensitivity analysis is based on the current observable market environment.

(b) Credit risk

Credit risk is the risk of potential financial loss resulting from failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

The Group's exposure to credit risk arises primarily from trade receivables. The risk is managed by stringent selection process to ensure creditworthy and good standing tenants are selected. The risk of non-collection of rental is mitigated by diligent on-going monitoring of outstanding receivables and collection of security deposits from tenants.

For other financial assets, the Group minimises the credit risk by dealing with high credit rating counterparties and/or reputable and licensed financial institutions.

As at 31 December 2015, the Group's maximum exposure to credit risk is represented by the carrying amount of its financial assets as follows:

		Group	
	Note	2015 RM	2014 RM
Trade and other receivables	17	5,648,126	6,142,148
Cash and cash equivalents	18	44,863,963	23,288,996
Derivatives	15	2,280,481	1,224,193
Lease receivables	16	2,410,548	-

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")
[Formerly known as Quill Capita Trust ("QCT")]

36. Financial risk management objectives and policies (cont'd.)

The following section provides details of the Group's exposures to the above mentioned risks and the objectives and policies for the management of these risks: (cont'd.)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds, which may potentially arise from mismatches of maturities of financial assets and liabilities. As the timing of funding arrangements can be critical, the Group may be exposed to the risk of its real estate properties being foreclosed in the interim.

To mitigate liquidity risk, the Manager maintains adequate level of cash and cash equivalents and arranges for refinancing of the Group's borrowings on a timely basis to fund the Group's operations and meet its financial obligations. In addition, the Manager observes the SC REIT Guidelines concerning the limits to total borrowings and ensures compliance with stated financial covenants per terms of its borrowings.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Total RM
At 31 December 2015			
Trade and other payables	13,574,839	-	13,574,839
Borrowings	217,834,721	570,895,110	788,729,831
Security deposits	2,515,677	15,572,463	18,088,140
	<u>233,925,237</u>	<u>586,467,573</u>	<u>820,392,810</u>
At 31 December 2014			
Trade and other payables	12,241,188	-	12,241,188
Borrowings	13,171,000	326,844,238	340,015,238
Security deposits	2,263,561	7,503,503	9,767,064
	<u>27,675,749</u>	<u>334,347,741</u>	<u>362,023,490</u>

AUDITED FINANCIAL STATEMENTS OF MQ REIT FOR THE FYE 31 DECEMBER 2015 (Cont'd)

MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

36. Financial risk management objectives and policies (cont'd.)

The following section provides details of the Group's exposures to the above mentioned risks and the objectives and policies for the management of these risks: (cont'd.)

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rate and unit fund prices which will affect the Group's financial results or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

37. Capital management

The primary objective of capital management is to optimise the Group's capital structure and cost of capital, while maintaining the gearing ratio within the limits as set out in the SC REIT Guidelines.

The Manager employs a combination of appropriate and flexible debt and financing policies to manage both current and future funding requirements of MQREIT. The Manager, on an on-going basis, manages the capital structure of MQREIT and makes adjustments to it when necessary, in the light of changes in economic conditions.

MQREIT's capital includes units issued, undistributed distributable income and non-distributable reserves.

38. Segmental reporting

No segmental reporting is prepared as the Group's activities are predominantly in one industry segment and its properties are situated in Malaysia.

VALUATION CERTIFICATE FOR THE PROPERTY



Report and Valuation

Our Ref : WTW/01/V/001194/15/LAI

Date : 20 JUN 2016

Malaysian Resources Corporation Berhad
Level 30, Menara Allianz Sentral
No. 203, Jalan Tun Sambanthan
Kuala Lumpur Sentral
P.O. Box 12640
50470 Kuala Lumpur

C H Williams Talhar & Wong Sdn Bhd (18149-U)
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8 Jalan Munshi Abdullah
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Dear Sirs

**CERTIFICATE OF VALUATION
MENARA SHELL
ERECTED ON PART OF PARENT LOT NO. 348 SECTION 72
TOWN AND DISTRICT OF KUALA LUMPUR
FEDERAL TERRITORY OF KUALA LUMPUR
FOR SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD**

In accordance with the instructions of Malaysian Resources Corporation Berhad, we, C H Williams Talhar & Wong Sdn Bhd, have carried out a valuation on the above mentioned property as at 19 May 2016 ON THE BASIS AS STATED IN DETAIL UNDER TERMS OF REFERENCE HEREIN for the purpose of submission to Bursa Malaysia Securities Berhad in relation to the proposed disposal by 348 SENTRAL SDN BHD, a wholly-owned subsidiary of MALAYSIAN RESOURCES CORPORATION BERHAD, of one (1) block of thirty three (33) storey stratified office building erected on a five (5) storey podium and four (4) levels of basement car park known as "Menara Shell" bearing postal address of No. 211, Jalan Tun Sambanthan, 50470 Kuala Lumpur to MAYBANK TRUSTEES BERHAD (acting as Trustee, for and on behalf of MRCB-QUILL REIT).

We have prepared and provided this Valuation Certificate which outlines key factors that have been considered in arriving at our opinion of Market Value and reflects all information known by us and based on present market conditions.

We have inspected the property on 4 September 2015, 4 November 2015 and 19 May 2016; the material date of valuation is taken as at 19 May 2016.

This valuation has been prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and Malaysia Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The basis of the valuation is Market Value which is defined by the Malaysian Valuation Standards (MVS) to be "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

This Certificate of Valuation should be read in conjunction with the full Report and Valuation.

VALUATION CERTIFICATE FOR THE PROPERTY (Cont'd)

C H Williams Talhar & Wong Sdn Bhd (18149-U)

Our Ref : WTW/01/V/001194/15/LAI

Page 2

IDENTIFICATION OF PROPERTY

Interest Valued	: One (1) block of thirty three (33) storey stratified office building erected on a five (5) storey podium and four (4) levels of basement car park
Address	: Menara Shell, No. 211, Jalan Tun Sambanthan, 50470 Kuala Lumpur
Strata Title	: Yet to be issued
Parent Title No	: GRN 40094
Parent Lot No.	: Lot 348 Section 72, Town and District of Kuala Lumpur, Federal Territory of Kuala Lumpur
Net Lettable Area	: 51,751.97 square metres (557,053 square feet)
Tenure	: Term in perpetuity (Freehold)
Category of Land Use	: Building
Registered Owner	: 348 SENTRAL SDN BHD
Encumbrance	: Charged to CIMB INVESTMENT BANK BERHAD (as security agent for CIMB BANK BERHAD, EON BANK BERHAD* and RHB BANK BERHAD)
	<u>*Note:</u> We noted that EON BANK BERHAD is currently known as HONG LEONG BANK BERHAD.
Restriction In Interest	: Nil

TERMS OF REFERENCE

As instructed, the valuation shall be conducted based on the following bases:-

- i) The subject property has a net lettable area of 557,053 square feet as per the tenancy schedule dated 25 March 2016;
- ii) The subject property has a total of 915 car parking bays and 110 motorcycle bays; and
- iii) Individual strata title with "building" category of land use will be issued to the subject property for commercial use conveying a freehold tenure, which is registerable, transferable and marketable.

THIS VALUATION IS BASED ON AVAILABLE INFORMATION THAT IS PRESUMED TO BE CORRECT. WE RESERVE THE RIGHT TO AMEND THE FACTS AND THE VALUE IN THE EVENT THAT THESE ARE INCORRECT.

VALUATION CERTIFICATE FOR THE PROPERTY (Cont'd)



C H Williams Talhar & Wong Sdn Bhd (18149-U)

Our Ref : WTW/01/V/001194/15/LAI

Page 3

GENERAL DESCRIPTION

The subject property, which known as Menara Shell, is located within the Kuala Lumpur Sentral development. It is located approximately 10 kilometres by road to the south-west of Kuala Lumpur City Centre (KLCC).

Developments within the vicinity include Brickfields, Mid Valley City, KL Eco City, Taman Seputeh, Federal Hill, Taman Bangsar and Taman Bukit Pantai.

Site

The parent lot, Lot 348, is near trapezoidal in shape and has a titled land area of 8,475 square metres (approximately 91,224 square feet or 2.0942 acres).

The site is generally flat in terrain and lies at about the same level with the existing frontage metalled road, Jalan Tun Sambanthan. The boundaries of the subject site are not demarcated with any form of fencing.

The compound where not built-upon is improved with concrete driveway, tarmac and landscaped. Proper pre-cast concrete drainage system are provided within the subject site.

Building

Based on the latest Approved Revised Building Plan prepared by Messrs. Hijjas Kasturi Associates Sdn and approved by Dewan Bandaraya Kuala Lumpur on 4 December 2012 vide reference no. BP S1 OSC 2012 1425 and the Bomba submission plan bearing fail no. JBPM:WP/2/0086., the subject development comprises a thirty three (33) storey office building and one (1) block of twenty one (21) storey of serviced apartment (157 units) erected on a five (5) storey podium and four (4) levels of bosement car park.

For the purposes of this valuation, we are instructed to value only the thirty three (33) storey stratified office building erected on a five (5) storey podium and four (4) levels of basement car park known as Menara Shell.

The building is constructed of reinforced concrete framework with reinforced concrete floor and reinforced concrete flat roof. The facades are generally of rainscreen system with PVDF coated aluminium composite panel cladding, unitised curtain wall system with ICU glass for vision and monolithic heat strengthened glass for spandrel to PVDF coated extruded aluminium framing and unitised curtain wall system with PVDF coated aluminium composite panel cladding.

The net lettable area of the subject property is 557,053 square feet (approximately 51,751.97 square metres). The subject property comprises 915 car parking bays and 110 motorcycle bays based on our confirmation with the owner and our on-site calculation.

The subject property is sited within the Multimedia Super Corridor (MSC) Malaysia Cybercentre @ Kuala Lumpur Sentral. The subject property has received the LEED Platinum certification by the US Green Building Council. The subject property has won the Malaysia Property Award 2015 for the Office category from FIABCI-Malaysia.

The subject property has been issued with the Certificate of Completion and Compliance (CCC) on 18 February 2014 bearing LAM/WP/No. 3402. The age of the subject property is approximately 2 years old.

VALUATION CERTIFICATE FOR THE PROPERTY (Cont'd)



C H Williams Talhar & Wong Sdn Bhd (18149-U)

Our Ref : WTW/01/V/001194/15/LAI

Page 4

OCCUPATION

Based on the tenancy schedule as at 25 March 2016 provided to us, the occupancy rate of the subject property is approximately 99.87% (556,333 square feet). These tenants are not related to the registered owner. We were made to understand by the owner that there is no changes on the tenancy schedule as at the date of valuation and the tenants are not related to the owner.

The breakdown for occupancy rate of the subject property for the past 2 years is as follows:-

As at	Occupancy Rate
December 2014	71.56%
December 2015	99.87%
May 2016	99.87%

The tenancy period of the tenancies vary from 2 to 15 years. The breakdown of the term of lease / tenancy agreement is as follows:-

Term of Tenancy	Percentage (%)
2 years	0.42%
3 years	44.82%
15 years	54.76%

RENTAL

The average rentals analysed from the tenancy schedule dated 25 March 2016 of Menara Shell provided to us are as follows:-

As at	Average Monthly Rental / Grossable Area
December 2014	RM7.43 psf
December 2015	RM7.28 psf
May 2016	RM7.28 psf

OUTGOINGS

The average outgoings analysed from the Outgoings of Menara Shell for 2015 and Projection of 2016 as provided to us by 348 Sentral Sdn Bhd are as follows:-

Year	Outgoings
2015	RM1.83 psf
Projection 2016	RM2.10 psf

The subject property was completed in Year 2014, therefore, most of the maintenance and repairs were still under defect liability period in Year 2014 and Year 2015.

We were made to understand by the owner that the outgoings for October to December 2015 has been increased gradually from approximately RM1.85 per square foot to RM1.95 per square foot. This is due to additional maintenance expenses had been incurred after the defect liability period. Therefore, we have adopt a 5% increment from RM1.95 per square foot, at RM2.10 per square foot as the outgoings for term to reflect the actual outgoings together with sinking fund for the subject property.

For the purpose of this valuation, we have adopted outgoings for term and reversionary at RM2.10 and RM2.15 per square foot per month, respectively based on the analysis of the Actual and Projection of Outgoings.

VALUATION CERTIFICATE FOR THE PROPERTY (Cont'd)

C H Williams Talhar & Wong Sdn Bhd (18149-U)

Our Ref : WTW/01/V/001194/15/LAI

Page 5

PLANNING PROVISIONS

The subject property is designated for commercial building use for the purpose of office and serviced apartment as per the Express Condition in the document of parent title.

METHOD OF VALUATION

We have adopted the Investment Method as the primary method for this valuation exercise and Comparison Method as a check method.

Investment Method

The Investment Method entails determining the net current annual income by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of investment to arrive at the market value.

Comparison Method

Recent transactions and asking prices of similar properties in the larger locality are analysed for comparison purposes with adjustments made for differences in location/visibility, age/condition of building, design/finishes/specifications, size (net lettable area), strata/individual title, tenure, density, public amenities (LRT/KTM/etc), green building features, MSC status, title restrictions if any, and other relevant characteristics to arrive at the market value.

VALUE CONSIDERATIONInvestment Method

a) Office Space

The parameters adopted in the Investment Method are as follows:-

Descriptions	Parameters	Remarks
Average Term Gross Rental	RM7.28 psf	We have adopted current passing rent.
Average Reversionary Gross Rental	RM7.62 psf	Considered the asking rentals of similar office buildings and retail mall within the vicinity, i.e. office area within Platinum Sentral @ RM9.00 psf. The average reversionary gross rental showed an increment of 4.70% from the average term gross rental.
Term Monthly Outgoings	RM2.10 psf	Considered the current and the projection of outgoings of the subject property.
Reversionary Monthly Outgoings	RM2.15 psf	Considered the projection of outgoings of the subject property.
Void	5.00%	We have adopted the void for rent-free period and risk of vacancy and uncertainty.
Term Capitalisation Rate	5.50%	Based on the recent transaction of the office buildings within Klang Valley, the net yield ranges from 4.71% to 5.62%. It is noted that Dijaya Ploza, Nu Tower 1 and Platinum transacted at a net yield of 5.47%, 4.71% and 5.62%, respectively.
Reversionary Capitalisation Rate	6.25%	Taking into consideration the location, building specification/ green building features and MSC compliance of the subject property, we have adopted the net yield (term) of 5.50% and net yield (reversionary) at 6.25%.

VALUATION CERTIFICATE FOR THE PROPERTY (Cont'd)



C H Williams Talhar & Wong Sdn Bhd (18149-U)

Our Ref : WTW/01/V/001194/15/LAI

Page 6

b) Car Park

Description	Parameters	Remarks
Term 1 & 2 - Net Monthly Income	RM155,000/- to RM263,824/-	Based on the Car Park Operation Agreement entered into between 348 SENTRAL SDN BHD and SEMASA PARKING SDN BHD dated 28 October 2014. The operation period is 3 years commencing from 1 January 2014. Based on our survey of the car parking rates within Kuala Lumpur Sentral and the Lease Agreement dated 1 November 2013 made between the Lessor, 348 SENTRAL SDN BHD and the Lessee, SHELL PEOPLE SERVICES ASIA SDN BHD.
Reversionary – Gross Monthly Income	RM355,954/- <u>Car Park Rates:</u> Reserved Bay : RM420/- per bay Floating Bay: RM210/- per bay Hourly Rate : RM4.00 per hour	Based on our survey of the car parking rates within Kuala Lumpur Sentral.
Term 1 Monthly Outgoings	-	The monthly income of car park is net income.
Term 2 & Reversionary Monthly Outgoings	10% of the gross monthly rental from the car park collection	Considered the outgoings of similar car park area.
Term 1 & 2 Capitalisation Rate	5.50% to 5.75%	We have adopted the net yield (term) of 5.50% and net yield (reversionary) at 6.25% which is in line with the valuation of office building.
Reversionary Capitalisation Rate	6.25%	

The market value of car park is analyzed at approximately RM63,800 per bay.

c) Other Income

We have taken into consideration the income from kiosks and store in our valuation.

We have capitalised these income as stated in the Tenancy Schedule dated 25 March 2016 at 6.25% in our valuation. No outgoings have been considered as the outgoings have been reflected in the valuation of office area within Menara Shell.

VALUATION CERTIFICATE FOR THE PROPERTY (Cont'd)



C H Williams Talhar & Wong Sdn Bhd (18149-U)

Our Ref : WTW/01/V/001194/15/LAI

Page 7

Comparison Method

a) Office Building

In arriving at the market value of the subject property based on Comparison Method, we have considered transactions of office buildings within the immediate and surrounding localities.

The comparables are as follows:-

Details	Comparable 1	Comparable 2	Comparable 3
Source	Bursa Malaysia General Announcement	Valuation and Property Services Department (JPPH)	Valuation and Property Services Department (JPPH)
Building Name	Dijaya Plaza	Nu Tower 1	Platinum Sentral
Location	Jalan Tun Razak, Kuala Lumpur	Jalan Tun Sambanthan, KL Sentral	Jalan Stesen Sentral, KL Sentral
Type	A 19-storey office building with 2-levels of basement car park containing 322 car parking bays	A 26-storey stratified office building	5 blocks of 4 to 7 storey commercial buildings with 637 car park bays
Tenure	Term in perpetuity (Freehold)	Term in perpetuity (Freehold)	Term in perpetuity (Freehold)
Net Lettable Area (square feet)	156,488	259,632	475,857
Date of Transaction	28/01/2016	26/03/2015	10/04/2014
Vendor	Tropicana Plaza Sdn Bhd	Hana Daol Fund Management	MRCB Sentral Properties Sdn Bhd
Purchaser	Kenanga Investment Bank Bhd	Malaysian Communications and Multimedia Commission	Maybank Trustees Berhad (trustee of Quill Capita Trust)
Consideration	RM140,000,000/-	RM283,000,000/-	RM740,000,000/-
Analysis (RM per square metre)	RM8,301/- (exclusive of car park)	RM11,733/- (exclusive of car park)	RM15,730/- (exclusive of car park)
Analysis (RM per square foot)	RM771/- (exclusive of car park)	RM1,090/- (exclusive of car park)	RM1,461/- (exclusive of car park)
Remarks	-	<ul style="list-style-type: none"> • Within MSC Cybercentre @ KL Sentral 	<ul style="list-style-type: none"> • Within MSC Cybercentre @ KL Sentral • Green building – BCA Green Mark Platinum Certification
Adjustments	Adjustments made on location, size (net lettable area), building's age / conditions, design / finishes / specifications, stratified / individual title, density, public amenities, green building features and MSC status		
Adjusted Value	RM1,003 per square foot	RM1,145 per square foot	RM1,096 per square foot

It is noted that the analyzed values range from RM1,003 to RM1,145 per square foot. We have adopted Comparable 3 as the most appropriate comparable based on the location and its similar characteristics. Therefore, we have adopted RM1,100 per square foot in our valuation.

VALUATION CERTIFICATE FOR THE PROPERTY (Cont'd)



C H Williams Talhar & Wong Sdn Bhd (18149-U)

Our Ref : WTW/01/V/001194/15/LAI

Page 8

b) Car Park

In arriving at the market value of the car park based on Comparison Method, we have considered transactions of car parks within Klang Valley.

The comparables are as follows:-

Details	Comparable 1	Comparable 2
Source	Bursa Malaysia Securities Berhad	Bursa Malaysia Securities Berhad
Building Name	Pavilion Kuala Lumpur	East Wing of The Icon @ Tun Razak
Location	Jalan Bukit Bintang	Jalan Tun Razak
Type	Car Park	Car Park
No. of Car Park	72 bays	301 bays
Date of Transaction	01/07/2015	24/12/2009
Vendor	Pavilion REIT	Star Residence Sdn Bhd
Purchaser	Urusharta Cemerlang Sdn Bhd	T.S Law Realty Sdn Bhd
Consideration	RM4,896,000/-	RM18,151,000/-
Analysis (RM per bay)	RM68,000/-	RM60,302/-
Adjustments	Adjustments made on location and age of building / condition.	
Adjusted Value (RM per bay)	RM61,200/-	RM60,302/-

It is noted that the analyzed values range from RM60,302 to RM61,200 per bay. We have adopted Comparable 1 in this valuation at RM60,000 per bay as it is the latest transaction.

Reconciliation of Value

The market value for the subject property derived from both Investment Method and Comparison Method are shown as follows:-

Investment Method - RM640,000,000/-
Comparison Method - RM665,000,000/-

We have adopted the market value derived from Investment Method as a fair representation of the market value of the subject property in view of the fact that the subject property is an income generating property.

VALUATION CERTIFICATE FOR THE PROPERTY (Cont'd)



C H Williams Talhar & Wong Sdn Bhd (18149-U)

Our Ref : WTW/01/V/001194/15/LAI

Page 9

VALUATION

Taking into consideration the above factors, we therefore assess the market value of the subject property **BASED ON BASIS AS STATED IN DETAILED UNDER THE TERMS OF REFERENCE HEREIN** and free from all encumbrances is **RM640,000,000/- (Ringgit Malaysia : Six Hundred And Forty Million Only).**

Yours faithfully
for and on behalf of
C H Williams Talhar & Wong Sdn Bhd



Sr HENG KIANG HAI
MBA (Real Estate), B.Surv (Hons) Prop.Mgt.
MRICS, FRISM, MPEPS, MMIPPM
Registered Valuer (V-486)

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

Part B of this Circular has been seen and approved by your Board who collectively and individually accept full responsibility for the accuracy and completeness 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 MQ REIT has been obtained from publicly available documents (where available) and other information/ documents provided by its directors/ management. The sole responsibility of your Board has been to ensure that the information in relation to MQ REIT has been accurately reproduced.

2. CONSENTS

RHB Investment Bank, CBRE | WTW and Astrapina Advisory have given and have not subsequently withdrawn their written consents to the inclusion in Part B of this Circular of their names and reports (where applicable) and all references thereto in the form and context in which they appear in Part B of the Circular.

3. DECLARATIONS OF CONFLICT OF INTEREST**3.1 RHB Investment Bank**

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

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

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 Bank. Nevertheless, he does not hold any directorships in either RHB Bank or RHB Investment Bank. In view of his role as a non-executive director, he is also not involved in the day-to-day operations of RHB Islamic Bank Berhad and RHB Insurance Berhad.

As at LPD, RHB Banking Group have extended various credit facilities amounting to approximately RM1,590.00 million (with an amount of approximately RM738.58 million outstanding) to our Group. Such credit facilities represent approximately 0.69% of the audited total assets of RHB Banking Group as at 31 December 2015 of approximately RM230,717.67 million.

Notwithstanding the aforesaid, RHB Investment Bank confirms that no conflict of interest situation exists or is likely to exist by virtue of RHB Investment Bank's appointment as the Principal Adviser for the Proposals on the basis that:-

- (a) the above credit facilities are provided by RHB Banking Group on an arms' length basis and in the ordinary course of its business;

FURTHER INFORMATION (Cont'd)

- (b) the corporate finance division of RHB Investment Bank is required under its investment banking license to comply with strict policies and guidelines issued by the SC, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, among others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations. Further, the appointment of RHB Investment Bank as Principal Adviser in relation to the Proposals is in the ordinary course of its business as a licensed investment bank;
- (c) the conduct of RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, the Capital Markets and Services Act, 2007 and RHB Banking Group's own internal controls and checks; and
- (d) RHB Investment Bank does not receive or derive any financial interest or benefit from the Proposals, save for the professional fees as the Principal Adviser for the Proposals.

3.2 CBRE | WTW

CBRE | WTW 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 Property Valuer.

3.3 Astramina Advisory

Astramina Advisory has been appointed by our Company as Financial Advisor for the Proposals and by MQM as the Transaction Arranger in respect of the Proposed Disposal. Astramina Advisory will be appointed by MQM as the financial advisor for the Proposed Placement, in conjunction with the appointment of joint placement agents by MQM. Astramina Advisory does not derive any advisory fee from MQM for its role as the Transaction Arranger but will derive fees from MQM for its role in relation to the Proposed Placement. Our Company had vide the acceptance of Astramina Advisory's letter of appointment for its role as Financial Advisor to our Company, acknowledged and consented to their appointments as the Transaction Arranger and financial advisor to MQM in relation to the Proposed Disposal and Proposed Placement respectively, which is mainly aimed at ensuring the timely and successful implementation of the Proposed Disposal and the Proposed Placement.

The roles undertaken by Astramina Advisory for both our Company and MQM in relation to the Proposals may potentially give rise to a conflict of interest on the part of Astramina Advisory in relation to the Proposals but any such potential conflict of interest is mitigated by the fact that the terms of engagement of Astramina Advisory as Transaction Arranger for MQM are limited to ensuring an expeditious and accurate flow of information between MQ REIT, MQM and our Company, and to assist in arranging and coordinating project work streams to promote the timely implementation of the Proposed Disposal. On the other hand, its role as financial advisor for MQM for the Proposed Placement is expected to include, amongst others, assisting in the procurement of investor(s) as well as identifying and resolving issues that may arise in the course of implementation of the Proposed Placement. Such potential conflict of interest is also further mitigated by the appointment of various professional advisers by our Company, including the Principal Adviser for the Proposals and the independent property valuer. Astramina Advisory has neither been appointed as the financial advisor nor principal adviser to MQM in respect of the Proposals. Save for the fees derived by Astramina Advisory in connection with the Proposed Placement, Astramina Advisory will not receive any advisory fee from MQM.

FURTHER INFORMATION (Cont'd)

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

There is no material litigation, claim or arbitration in respect of the Property, which has or would have a material and adverse effect on the financial position of our Group and, to the best of your Board's knowledge and belief, your Board is not aware of any proceeding pending or threatened or of any fact likely to give rise to any proceeding in respect of the Property which might materially and adversely affect the financial position or business of our Group.

5. 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	101,490

6. 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)
Performance guarantees extended to third parties	257,616

7. 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, 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 and the deed of trust of MQ REIT;
- (ii) the audited consolidated financial statements of our Group and MQ REIT for the past two (2) FYE 31 December 2014 and 31 December 2015;
- (iii) the latest unaudited consolidated financial statements of our Group for the six (6)-month FPE 30 June 2016;
- (iv) the latest unaudited consolidated financial statements of MQ REIT for the nine (9)-month FPE 30 September 2016;
- (v) the Valuation Report, together with the valuation certificate referred to in Appendix B(III) of Part B of this Circular;
- (vi) the HOA (together with the letters of extension dated 3 March 2016 and 12 April 2016) and the SPA; and
- (vii) the letters of consent referred to in Section 2 above.

PART C

PROPOSED PDP CONTRACT

DEFINITIONS

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

Act	:	Companies Act, 1965
Board	:	Board of Directors of MRCB
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
Circular	:	This circular dated 15 November 2016
Design Consultants	:	Consultants appointed by the Employer pursuant to the terms of the PDP Agreement for the production of the detailed design specification for the Project infrastructure which shall include consultants appointed by the Employer prior to the PDP Agreement
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
GST	:	Goods and services tax of 6% imposed in Malaysia with effect from 1 April 2015 in accordance with the Malaysian Goods and Services Tax Act 2014 and subsidiary legislation thereunder
IAL	:	Independent advice letter from Kenanga Investment Bank to the non-interested directors and non-interested shareholders of MRCB in relation to the Proposed PDP Contract
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)
KLSB or Employer	:	Kwasa Land Sdn Bhd (849896-A)
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	20 October 2016, being the latest practicable date prior to the printing of this Circular
Master Implementation Programme	:	A master implementation programme, which is to commence from the date when the condition precedent as set out in Section 2.5.1 of Part C of this Circular has been fulfilled (including from time to time all subsequent approved versions of such programme)
MRCB or Company	:	Malaysian Resources Corporation Berhad (7994-D)
MRCB Builders or PDP	:	MRCB Builders Sdn Bhd (300947-T), a wholly-owned subsidiary of MRCB
MRCB Group or Group	:	Collectively, MRCB and its subsidiaries

DEFINITIONS (Cont'd)

MRCB Share(s)	:	Ordinary share(s) of RM1.00 each in MRCB
NA	:	Net assets
Parties	:	Collectively, MRCB Builders and KLSB
PDP	:	Project delivery partner
PDP Agreement	:	PDP agreement dated 26 May 2016 entered into between KLSB and MRCB Builders for the Proposed PDP Contract
PDP Fees	:	The fees paid by the Employer to the PDP (excluding GST and Reimbursables) for provision of the Services by the PDP in relation to the Proposed PDP Contract
Project	:	The construction and completion of common infrastructure including common roads, drainage system, waterworks, telecommunication, sewerage and mechanical and electrical infrastructure for the Majlis Bandaraya Petaling Jaya area of the proposed Kwasa Damansara Township
Proposed PDP Contract	:	Appointment of MRCB Builders as a PDP in connection with the construction and completion of common infrastructure for the Majlis Bandaraya Petaling Jaya area at the proposed Kwasa Damansara Township located on a piece of land (formerly known as Rubber Research Institute Malaysia land) in Sungai Buloh measuring approximately 2,330.42 acres, for the PDP Fees
Provisional GDC	:	The total provisional GDC to be incurred by KLSB for the Project of approximately RM2.3 billion
Provisional PDP Fees	:	The provisional PDP Fees of approximately RM112.28 million (excluding GST and Reimbursables)
QS or PCM Perunding Kos	:	PCM Kos Perunding Sdn Bhd (359690-H)
QS Report	:	The report dated 25 May 2016 prepared by the QS in relation to its independent analysis of the GDC for the Project
Reimbursables	:	Reimbursable costs (which shall always be referred to as a sum exclusive of GST) which are incurred by the PDP in performing the Services as further set out in Note 2 of Section 2.2 of Part C of this Circular
RHB Investment Bank	:	RHB Investment Bank Berhad (19663-P)
Services	:	Services to be rendered by the PDP which include managing the approval processes from the relevant authorities, managing the Design Consultants as well as project management services in relation to the design process, procurement and construction for the Project, contract administration as well as testing and commissioning by the respective Works Package Contractors, and as further set out in Section 2.1 of Part C of this Circular
Works	:	All engineering, procurement, manufacturing, construction, erection, installation, commissioning, calibration, testing, start-up and all other work, material, services and equipment to be performed by the Works Package Contractors necessary to construct a fully functional and operating infrastructure and all design and drawings to be performed by the Design Consultants, in accordance with the PDP Agreement, the Works Package Contracts and the Employer's requirements
Works Package Contract	:	A contract between the Employer, the PDP and any Works Package Contractor for any part of the Works

DEFINITIONS *(Cont'd)*

Works Package Contractor or WPC : A person who contracts with the Employer and the PDP for the execution of any part of the Works including any nominated sub-contractors, designated suppliers or designated contractors

Currency

RM and sen : Ringgit Malaysia and sen, the legal tender of Malaysia

References to “our Company”, “we”, “us” and “ourselves” in Part C of 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 Part C of 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 Part C of 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 Part C of 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 our Company, such as in our quarterly results or annual reports, is due to rounding.

Certain statements in Part C of 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 Part C of this Circular should not be regarded as a representation or warranty that MRCB’s plans and objectives will be achieved.

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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
Malaysia

15 November 2016

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*)
Jamaludin Zakaria (*Independent Director*)
Rohaya Mohammad Yusof (*Non-Independent Non-Executive Director*)
Chuah Mei Lin (*Independent Director*)
Hasnan Yusri Yusoff (*Independent Director*)

To: Our Shareholders

Dear Sir/ Madam,

PROPOSED PDP CONTRACT

1. INTRODUCTION

On 26 May 2016, RHB Investment Bank had, on behalf of your Board, announced that MRCB Builders, a wholly-owned subsidiary of our Company, had entered into a project delivery partner agreement with KLSB whereby KLSB has appointed MRCB Builders as a PDP in connection with the construction and completion of common infrastructure for the Majlis Bandaraya Petaling Jaya area at the proposed Kwasa Damansara Township located on a piece of land (formerly known as Rubber Research Institute Malaysia land) in Sungai Buloh measuring approximately 2,330.42 acres, for a provisional fee of approximately RM112.28 million (excluding GST and Reimbursables).

In view of the interests of the Interested Directors and the Interested Major Shareholder as set out in Section 9 of Part C of this Circular, the Proposed PDP Contract is deemed a related party transaction ("RPT") pursuant to the provisions of Paragraph 10.08 of the Listing Requirements.

Accordingly, your Board had on 22 April 2016 appointed Kenanga Investment Bank as the independent adviser to advise the non-interested directors and non-interested shareholders in respect of the Proposed PDP Contract.

For information purposes, the highest percentage ratio applicable to the Proposed PDP Contract pursuant to Paragraph 10.02(g) of the Listing Requirements is 7.77% based on the audited financial statements of our Company for the FYE 31 December 2015.

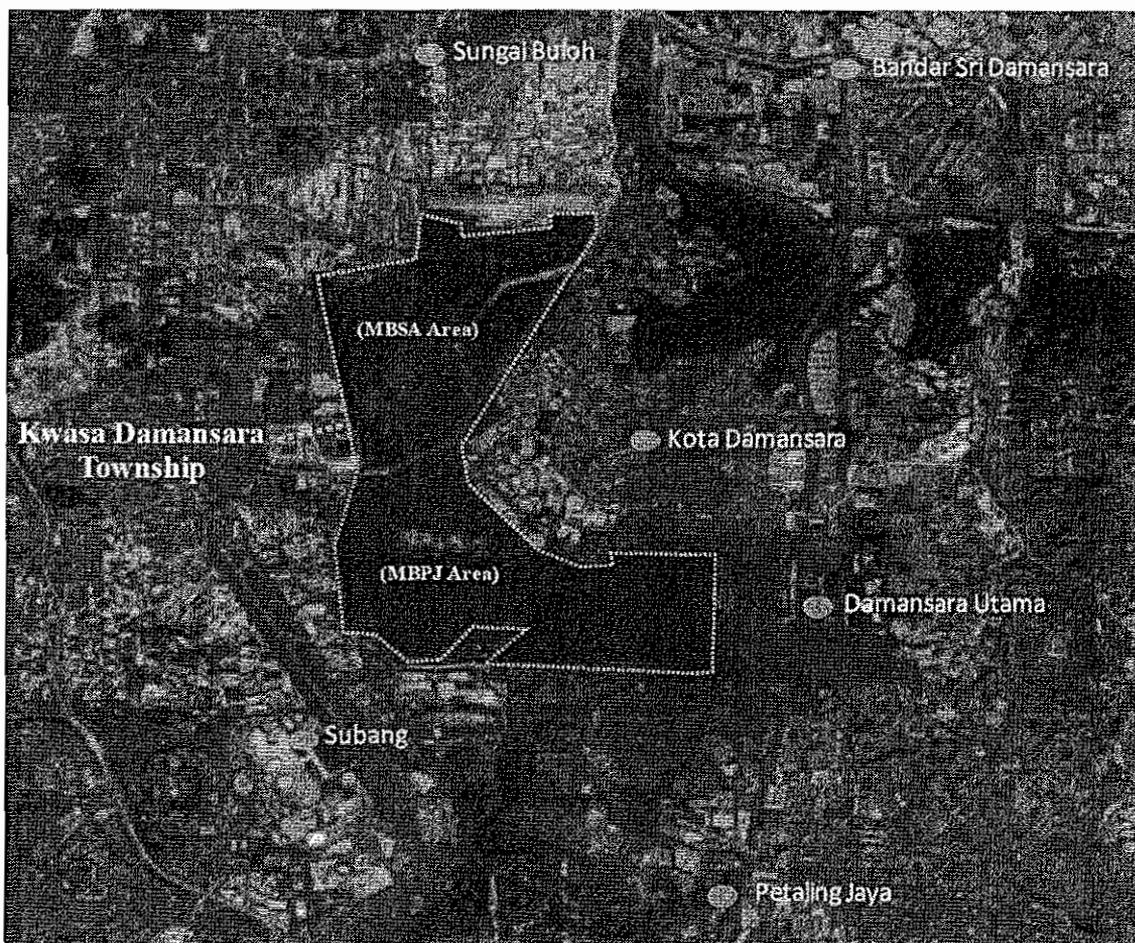
THE PURPOSE OF PART C OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED PDP CONTRACT AND TO SEEK YOUR APPROVAL FOR THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED PDP CONTRACT TO BE TABLED AT THE FORTHCOMING EGM.

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

2. DETAILS OF THE PROPOSED PDP CONTRACT

The Employer is undertaking the Project and has appointed MRCB Builders as the PDP to provide the Services pursuant to the PDP Agreement.

The location map for the Project is as follows:-



(Source: Management of MRCB)

In consideration for the provision of the Services, the Employer shall pay to MRCB Builders the Provisional PDP Fees, which represents 5% of the development cost of the Project (as detailed in Section 2.2 of Part C of this Circular), GST and the Reimbursables. The total Provisional GDC to be incurred by KLSB for the Project amounts to approximately RM2.3 billion, further details of which are set out in Section 2.2 of Part C of this Circular.

2.1 PDP's obligations

The Services to be performed by the PDP include, amongst others, the following:-

- (a) ensure that each Works Package Contractor submits and maintains a Master Implementation Programme. The PDP shall ensure that the rate of progress in the progress schedules and/ or plans submitted by the Works Package Contractor is consistent with the Master Implementation Programme;
- (b) developing and monitoring the compliance of the overall Master Implementation Programme;
- (c) facilitate the preparation of the detailed design and specification for all Works Package Contracts;
- (d) manage and facilitate the development of the preliminary design and the management and development of the detailed design specification for the Project infrastructure and performance specifications system works which are to be prepared by the appointed Design Consultants;
- (e) preparation of pre-qualification documents, tender documents, engineering drawings and calling of tenders from a list of tenderers to be approved by the Employer, and recommendation of tenders, and subsequently advising the Employer in the award of the relevant Works Package Contracts to the successful tenderer subject to the Employer's approval;
- (f) carrying out cost planning, budgeting, estimating, forecasting, reporting, managing and controlling of all the costs, expenses and liabilities associated with and arising from the management of the planning, design, procurement, construction and commissioning process of the Project;
- (g) managing, interfacing and coordinating between various WPCs and transport operators including interfacing, integration work, the implementation of risk management plans to ensure delivery of the Project with minimum interface conflict that could impact safety, quality and time, in compliance with the PDP Agreement and any law, legislation, statute, rule, order, treaty, regulation, directive, guideline, request or requirement, announcement or published practice or any interpretation thereof which is enacted, issued promulgated or made by any relevant authority or by any court or tribunal ("Laws");
- (h) developing, implementing, monitoring, maintaining and managing the traffic management plan for the Project;
- (i) providing contract administration works for the Project including carrying out cost estimates, implementation and construction programmes, risk management plans, administering the WPCs and managing all other matters as may be necessary and expeditious for the delivery of the Project;
- (j) managing the testing and commissioning activities and ensuring the proper integration of the Works being performed by the respective Works Package Contractors so as to ensure system wide integration of a fully commissioned and operational infrastructure, to be in accordance with the PDP Agreement;
- (k) coordinating the scheduling and supervising the performance of the Works Package Contractors to achieve timely and cost effective completion of the Works and, if so required to achieve such objectives, then, in the event any of the Works Package Contractors fail in its performance, the PDP shall step-in and self-deliver, or employ any other person to carry out and complete the performance of such Works, in which event the Employer shall be entitled to award to the PDP or the new WPC:-

- (i) a new Works Package Contract based on the contract price for the Works Package Contract for the relevant Works (or any portion thereof);
 - (ii) an extension of time to enable the completion of the relevant Works Package Contract; and
 - (iii) all additional costs (beyond the costs already approved for the relevant Works Package Contract) in relation to the completion of the relevant Works package where such costs shall be approved by the Employer's representative and upon approval, such costs will constitute as a supplementary letter of award to the WPC for the relevant Works Package Contract;
- (l) preparing the environmental management plan and traffic management plan for the Project, monitoring the implementation process of the Environmental Impact Assessment approved recommendations and facilitating the requirements of the relevant third parties with the conditions and mitigation measures thereunder until the last certificate of completion of making good defects has been issued to the WPC for each Works Package Contract;
- (m) managing and facilitating the Employer's application for all permits, licenses, approvals, consents and other forms of authorisation required in accordance with the relevant Laws to be obtained in connection with the Project, the Works and the Services (including those approvals required in the name of the Employer save for the environmental approvals to be sought for the Project) ("**Approvals**") to enable the performance of the Services and/ or the Works which shall include:-
- (i) rezoning approval;
 - (ii) "kebenaran merancang" approval based on the approval "Pelan Induk Pengezonan Tanah" by Majlis Perancang Fizikal Negara and State Planning Committee dated 16 October 2013 and 10 February 2014 respectively;
 - (iii) infrastructure plan approvals; and
 - (iv) all other related approvals;
- (n) managing the preparation process for the applications (including all necessary documents to be included with such applications) for Approvals required, in the name of the Employer to enable the Employer (or if directed by the Employer, the PDP) to submit such application and using its best endeavour to follow up on such applications to obtain the timely issuance of the relevant Approvals; and
- (o) informing and updating the Employer on all studies, reviews, investigations and other process and of all reasonable and available advantages or benefits of the Project, in particular:-
- (i) availability and use of the sites;
 - (ii) selection of materials;
 - (iii) building techniques and equipment;
 - (iv) alternative designs and materials; and
 - (v) Project cost estimates.

2.2 Basis and justification of arriving at the Provisional PDP Fees and Reimbursables

The Provisional PDP Fees was arrived at based on 5% of the development cost of the Project (which shall always be referred to as a sum exclusive of GST) (“**Development Cost**”) which was commercially negotiated and agreed between the Parties. The claimable Development Cost shall exclude land cost, land related statutory costs as well as KLSB’s administrative costs and interest. For the avoidance of doubt, Development Cost forms part of the provisional GDC for the Project and excludes Reimbursables.

The Provisional PDP Fees and GST thereon is calculated based on the following provisional estimates and is subject to further update(s) and/ or revision(s):-

	Cost components/ elements	Basis	RM('000)
1.	Primary & secondary infrastructure cost	Lump sum, based on Works Package Contracts to be awarded	66,417
2.	Roadwork & bridge		201,173
3.	Utilities		717,420
4.	Hardscape and softscape		101,978
5.	Work outside boundary		237,189
	Sub-total (A)		1,324,177
6.	Preliminaries	Based on actual costs incurred, estimated at 6.7% of A	88,719
	Construction Cost (“CC”)		1,412,896
7.	General Contingency ⁽¹⁾	Based on actual costs incurred, subject to a maximum cap of 10% of CC	141,290
8.	Step-In Contingency ⁽¹⁾	Based on actual costs incurred, subject to a maximum cap of 2% of CC	28,258
	Total Construction Cost (“TCC”)		1,582,444
9.	Professional fees	Based on actual costs incurred, estimated at 6.5% of TCC	102,859
10.	Authority & statutory cost	Based on actual costs incurred	560,218
	Development Cost		2,245,521
11.	Reimbursables ⁽²⁾	Subject to a maximum cap of 4% of TCC	63,298
	Provisional GDC		2,308,819
	Total amount payable to PDP		
	PDP Fees	5% of Development Cost	112,276
	Reimbursables		63,298
	GST		10,534
			186,108

Notes:-

⁽¹⁾ General Contingency and Step-In Contingency (collectively referred to as “Contingency”) shall be capped at 12% of CC, and any reference to Contingency, General Contingency, Step-In Contingency and CC shall always be to a sum exclusive of GST.

General Contingency shall only be utilised by the PDP with the agreement of the Employer to pay for additional costs in relation to the Services and/ or the Works arising from variation or changes that are demonstrated by the PDP to be necessary to complete the Project in accordance with the PDP Agreement as well as the Employer’s requirements as set out in the PDP Agreement.

Step-In Contingency shall be used to pay the PDP (and not as Reimbursables) for all additional costs incurred by the PDP associated with the exercise of the Act of Intervention (as defined in Section 2.5.9(d) of Part C of this Circular) unless such costs incurred by the PDP can be deducted and/ or set-off from payments due to the relevant WPC in accordance with the terms of the relevant Works Package Contract.

Where the percentage of the Contingency for any Works Package Contract and WPC performance bond have been fully utilised and are subsequently exceeded, then in that event, the amount retained by the Employer from the PDP Fees (as further described in Section 2.4 of Part C of this Circular) in respect of the relevant Works Package Contract may be used to offset such amounts which exceed the percentage of Contingency for that Works Package Contract. For avoidance of doubt, the maximum amount to offset should not be more than 10% of the PDP Fees for that respective Works Package Contract. Thereafter, any excess costs incurred which are not provided for in the PDP Agreement will be borne by the PDP.

⁽²⁾ *Reimbursables (which shall always be referred to as a sum exclusive of GST) which are incurred by the PDP in performing the Services consists of the following:-*

a. *costs payable for PDP's employees, personnel and staff, for basic salaries together with a fixed multiplier applicable to each basic salary identified and set out in the PDP Agreement, provided that the salaries are within the agreed basic salary range approved by the Employer. The basic salary range may be adjusted from time to time subject to the Employer's written approval provided always that the Reimbursables shall not exceed the maximum amount as set out below.*

"Basic salaries" shall mean the basic salary of each employee excluding any other benefits, taxes, allowances, contributions or other types of remuneration or cost of whatsoever nature and howsoever arising such as those referred to in the multiplier component listed in the PDP Agreement;

b. *travel expenses for the PDP's employees, personnel and staff (save for daily commute cost and expense) as specified in the reimbursables breakdown in the PDP Agreement; and*

c. *costs to acquire and install the software required by the Employer as further set out in the PDP Agreement.*

Notwithstanding the above, the Reimbursables (exclusive of GST) shall be an estimated amount equivalent to not more than 4% of the TCC which may be varied by mutual agreement of the Parties and in accordance with the PDP Agreement. Should the maximum cap of 4% for Reimbursables be exceeded, the excess costs may not be reimbursed by the Employer and will be borne by the PDP, unless the allocation for Reimbursables is varied by mutual agreement to cover such excess.

The Parties have agreed that the total cumulative amount of the Preliminaries and the Reimbursables for the Project shall not exceed 9.61% of the TCC.

In view that the PDP Fees payable to MRCB Builders is based on 5% of Development Cost, MRCB had appointed an independent quantity surveyor, namely PCM Kos Perunding to undertake an independent analysis of the provisional GDC of the Project. In arriving at the estimated GDC, the QS had independently derived the cost components forming sub-total (A) in the table above as well as authority & statutory cost, whilst the other cost components such as Preliminaries, Contingency, professional fees and Reimbursables were based on information provided by our Company. For the cost components that were not independently derived, the QS had assessed such cost estimates and opined that they are in line with market and industry best practices.

The summary of methods adopted by the QS in its independent analysis of the provisional GDC of the Project is as follows:-

Item	Methods	Reasons for adopting	Assumptions
Primary & secondary infrastructure cost	Measurement of approximate basic quantities from the master layout plan drawings provided by MRCB and by applying unit rate pricing of similar construction components inclusive of contingency allowance and other acceptable yardstick as per industry's practice	The unit rate method was adopted as preliminary layout drawings have been issued which enables basic quantities to be quantified	For components where no preliminary details are available for the unit rate method to be adopted, assumptions have been made based on similar components from comparable projects
Work outside boundary	Based on assumptions and acceptable yardstick as per industry's practice	There are no preliminary details available for the costing of this item	Assumptions have been made based on similar components from comparable projects
Authority & statutory cost	Based on assumptions, comparables and guidelines by the relevant authorities	There are prescribed/ comparable rates issued by the relevant authorities	Assumptions have been made based on similar components from comparable projects

Based on the above, the QS had vide its QS Report arrived at an estimated GDC of RM2,421,835,031, representing a variance of approximately 4.89% to the Provisional GDC stated under the PDP Agreement of RM2,308,819,332, which the management of MRCB deems to be reasonable.

The eventual PDP Fees to be received by MRCB Builders shall be determined based on the actual Development Cost of the Project, which is still subject to revision and update at this juncture.

The Executive Summary of the QS Report is set out in Appendix C(I) of Part C of this Circular.

2.3 Source of funding

The obligations of the PDP in respect of the provision of the Services and/ or potential construction costs to be incurred pursuant to the step-in provisions (as described in the notes to the table in Section 2.2 of Part C of this Circular) under the PDP Agreement, if any, will be funded via the Mobilisation Fee as defined and in the manner set out in Section 2.4 of Part C of this Circular, and via internally generated funds and/ or bank borrowings, the breakdown of which cannot be determined at this juncture.

2.4 Mode of payment

The PDP shall be entitled to submit its statement for payment of such amount of PDP Fees and Reimbursables plus GST (if any) monthly which shall be supported by complete documentary evidence for such payment to enable the Employer to determine the sum due to the PDP.

Subject to the above, the Employer shall, within 30 days after the date of receipt of the PDP's statement for payment, determine the sum due to the PDP and issue and deliver a payment certificate (to be dated on the date of issuance and delivery) certifying the sum payable in respect of the PDP's application, taking into account any other sums, including the Mobilisation Fee (as defined herein) to be set-off or deducted in accordance with the terms of the PDP Agreement ("**PDP Payment Certificate**"). Subject to the terms of the PDP Agreement, the Employer will pay the amount certified within 30 days of the issuance of the PDP Payment Certificate.

For information purposes, the PDP will be paid a mobilisation fee totalling RM20 million (plus GST if any) ("**Mobilisation Fee**"), which will form part of the PDP Fees, in the manner below:-

- (i) RM10 million plus GST upon the Unconditional Date (as defined in Section 2.5.1 of Part C of this Circular);
- (ii) RM5 million plus GST upon the 4th month from the Unconditional Date; and
- (iii) RM5 million plus GST upon the 7th month from the Unconditional Date.

A 10% retention shall be applied to the PDP Fees progressively ("**Retention Sum**"). 50% of such retention will be released upon issuance of the relevant certificate of practical completion for each Works Package Contract and the remaining 50% of such retention will be released upon the issuance of the relevant PDP Final Certificate (as defined in Section 2.5.11 of Part C of this Circular).

2.5 Other salient terms of the PDP Agreement

2.5.1 Condition precedent

The PDP Agreement is conditional upon MRCB obtaining its shareholders' approval of the PDP Agreement on or before the expiry of nine (9) months from the date of the PDP Agreement, being 26 February 2017 ("**Cut-Off Date**"). The condition precedent shall be fulfilled upon MRCB Builders giving notice to the Employer that such approval has been obtained.

The date when the condition precedent set out in this section is fulfilled shall be the date when the PDP Agreement becomes unconditional ("**Unconditional Date**").

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

2.5.2 Representations and warranties

- (a) MRCB Builders and KLSB each represent and warrant that:-
 - (i) each Party is a company duly incorporated, properly organised and validly existing under the Laws. Each Party has the corporate power, authority and capacity to enter into and perform its obligations under the PDP Agreement;
 - (ii) the PDP Agreement has been duly authorised, executed and delivered by each Party and is a valid and binding obligation of each such Party enforceable in accordance with its terms; and

- (iii) save and except when the PDP exercises the step-in rights granted to the PDP under the PDP Agreement and where the PDP or its affiliates becomes the Works Package Contractor pursuant to the step-in rights exercised, neither Party shall have any interest in any Works Package Contract or Works Package Contractor or any other contractor or consultant providing any services to the Employer in relation the Project.
- (b) MRCB Builders represents and warrants that:-
 - (i) it has the knowledge, competence, experience, skill, expertise, and human and financial resources required to properly provide the Services and ensure the due and proper performance of its obligations under the PDP Agreement;
 - (ii) its directors and individuals who are party to a contract of employment or contract for employment (“Personnel”) are skilled, competent, diligent and professional and shall exercise all due skill and care, and are properly qualified and skilled to properly perform the Services, and
- (c) the PDP acknowledges that the Employer has entered into the PDP Agreement relying on the skill, care, expertise, experience and ability of the PDP as represented by the PDP to the Employer to provide the Services, and the representations and warranties in the PDP Agreement.

2.5.3 Approvals

The PDP shall assist the Employer, to obtain all Approvals required in the name of the Employer for the undertaking of the Works. The PDP shall assist in the preparation of the applications (including all necessary documents to be included with such applications) for Approvals required in the name of the Employer for the undertaking of the Works to enable the Employer (or if directed by the Employer, the PDP) to submit such application and using its best endeavours to follow up on such applications to obtain the timely issuance of the relevant Approvals.

The PDP shall not be entitled to make any claim relating to the Approvals, except in the following situations:-

- (a) the application for the Approval was complete and the PDP has made due and diligent inquiries with the relevant authority in respect of the documents and details comprising the application to ensure that the submission was complete and the application was duly made in accordance with the Master Implementation Programme;
- (b) subject to compliance with Section 2.5.3(a) of Part C of this Circular, any re-submission of any application by reason of the requirements or directions of any relevant authority or as a result of a direction;
- (c) any direction to appeal against or negotiate any requirement or directions given by any relevant authority; and/ or
- (d) the time period permitted for the approval of the application under the Master Implementation Programme has been exceeded provided always that the exceeded time period is not due to the PDP’s or WPC’s fault.

In the event of any delay in relation to the provisions stated in this section, the PDP shall be entitled to make a claim provided the PDP has made all reasonable efforts to liaise and expedite the assessment of the application by the relevant authority and has taken the following steps:-

- (a) notice was given to the Employer as soon as it was apparent that there may be a delay in the approval of the application;
- (b) the PDP has highlighted the delay to the Employer for amicable resolution as soon as the potential delay was apparent; and
- (c) the PDP has implemented reasonable mitigation measures to avoid or reduce the impact of the delay to the Master Implementation Programme.

2.5.4 Withholding from payment of PDP Fees

In addition to the deductions or withholding under Section 2.5.5 of Part C of this Circular and/ or the relevant provisions set out in the PDP Agreement, the Employer shall be entitled to withhold any amount or part thereof stated in any WPC payment certificate (except in relation to the portion relating to the PDP Fees) in relation to which there is a dispute whether the paid amount is the amount properly due and payable. The amount stated in any WPC payment certificate shall be paid in accordance with the provisions set out in the PDP Agreement save in relation to any amounts in relation to which there is any dispute. Any dispute shall be resolved in accordance with the terms of the Works Package Contract.

2.5.5 Deductions and withholding from payment of PDP Fees required by Laws

If the Employer is required by Laws to withhold or deduct any amount from an amount payable under the PDP Agreement, such amount so withheld or deducted shall be treated as having been paid to the PDP when it is withheld or deducted and the Employer shall not be liable to pay any such amount to the PDP. The Employer shall notify the PDP of the details of any amount withheld or deducted pursuant to the provisions set out in this section and provide documentary evidence to the PDP of the payments of all amounts withheld and deducted, to the Inland Revenue department or any other statutory body authorised by Laws to receive such payment.

For information purposes, deductions and withholdings from payment of PDP Fees may include, amongst others, GST and withholding tax.

2.5.6 Project management

- (a) Master Implementation Programme
 - (i) The purpose of the Master Implementation Programme is to monitor the provisional costs of the Project as set out in the PDP Agreement.
 - (ii) The PDP shall prepare and submit to the Employer for its approval, from time to time, an updated detailed Master Implementation Programme.
 - (iii) Until such time as approval is given for each of the updated detailed Master Implementation Programme as may be submitted from time to time to the Employer, the master implementation schedule as contained in the PDP Agreement shall be used to monitor the Services and the Works.

- (iv) The PDP shall monitor and report on the progress of the Works through all stages of the Project in accordance with the Master Implementation Programme and where appropriate, provide suggestions on the sequence and duration of activities required to meet the Master Implementation Programme.

(b) Cost monitoring

Without limitation, from the date of the PDP Agreement, the PDP shall be responsible for monitoring all costs of the Services and the Works and providing the Employer with sufficient information as to enable the Employer to monitor the costs of the Works against the provisional costs set out in the PDP Agreement and providing reports, on a monthly basis or at such other frequency as may be directed by the Employer's representative, forecasting the costs required to complete all of the Works under the Works Package Contracts. Such reports shall include the following:-

- (i) an estimated cash flow summary identifying estimated progress claims by all Works Package Contractors under the Works Package Contracts;
- (ii) identification of and explanation for variances between the contract prices as set out in each Works Package Contract and the actual cost of the Works, and utilisation of the Contingency;
- (iii) to the extent not already included in the above, a list of any outstanding requests for any addition, substitution, variation, cancellation, omission or deletion to all or part of the Works of a WPC ("WPC Variations"), to date;
- (iv) the identification of any further actual or potential WPC Variations that may be required for completion of either the Services or the Works; and
- (v) the reasons and justifications for the WPC Variations and claims, if any, and the steps being taken to mitigate the impact of such WPC Variations and claims.

The PDP shall regularly review the utilisation of the Contingency with the Employer's representative and inform the Employer's representative if it becomes aware of any likely or actual cost over-runs on the provisional costs and the Contingency.

2.5.7 Works Package Contractors

The Works Package Contracts shall be awarded in accordance with the procurement policy as stated in the PDP Agreement. The terms and conditions of the Works Package Contracts shall be subject to the approval of the Employer, and the parties to each Works Package Contract shall consist of the Employer, the PDP and the respective Works Package Contractor.

The Works Package Contract shall include the following terms:-

- (a) the Employer shall make direct payment to the WPC after verification by the PDP of the WPC payment certificates;

- (b) all guarantees, indemnities, representations, warranties and liquidated and ascertained damages are to be given by the WPC solely for the benefit of Employer;
- (c) the PDP is to be appointed as the Employer's representative assistant and/ or superintending officer's representative in the Works Package Contract;
- (d) that no payment claims may be made by the WPC against the PDP under the Works Package Contract; and
- (e) in the event that the PDP's Services are terminated, the Employer shall issue a notice to the relevant Works Package Contractors stating that the Employer shall take over all roles and functions of the PDP with effect from a stated date.

The Employer shall make payment of all sums due to the Works Package Contractor pursuant to the Works Package Contract and the Works Package Contractor will not make any claims for payment from the PDP under the Works Package Contract.

In the event the Employer does not award a tender package to any of the tenderers recommended by the PDP, the Employer agrees and releases the PDP from all liability for any damage or losses arising from the work product, negligence or actions of the appointed tenderer.

Unless otherwise expressly provided for in the Works Package Contract or the PDP Agreement, the Employer shall have no liability or responsibility whatsoever to the Works Package Contractors under the Works Package Contract in respect of the portion of the Works under the Works Package Contract and the PDP shall keep the Employer indemnified and held harmless from any and all claims by the Works Package Contractor or any other third party in respect of the same in so far as such claims by the Works Package Contractor are due to any act, neglect and/ or omission of the PDP.

2.5.8 PDP's responsibilities and rights in relation to the Works Package Contractors

- (a) The PDP shall use the powers granted to it under the Works Package Contract, to preserve and protect the rights of the Employer under the PDP Agreement with respect to any part of the Works to be performed by the Works Package Contractors.
- (b) PDP shall monitor and manage that each Works Package Contractors complies with the terms of the relevant Works Package Contract.
- (c) In the event of a demand being made upon any WPC performance bond, the sums paid by the surety or bank providing the relevant WPC performance bond shall be deposited into a bank account operated by and opened in the name of the Employer and the PDP shall be entitled to make a demand or be reimbursed by the Employer for any costs incurred by the PDP (if any) in the event of an Act of Intervention (as defined in Section 2.5.9(d) of Part C of this Circular).

2.5.9 Termination of the Works Package Contractors

- (a) The Employer shall, upon advice of the PDP, give written notice to any Works Package Contractors specifying any default, and requiring that the Works Package Contractors to remedy such default within 30 days of the receipt of the default notice or such other longer period as the Employer may provide for or agree to extend. If that Works Package Contractor fails to remedy the breach within such period, the Employer shall have the right to terminate the appointment of that Works Package Contractors under the relevant Works Package Contract by giving a written notice to that effect.
- (b) The PDP may, after consultation and with the prior written approval of the Employer, increase or deploy manpower and resources to take such other measures as determined by the PDP to be necessary to carry out and complete the Works and such action may be taken by the PDP prior to any termination of the Works under Section 2.5.9(a) of Part C of this Circular.
- (c) Upon the Works Package Contractor's termination pursuant to Section 2.5.9(a) of Part C of this Circular, the PDP shall either step in, carry out and complete the Works or any part thereof on its own or award any other person to carry out and complete the Works. In the event the PDP intends to award any other person to carry out and complete the Works, the PDP shall submit two (2) quotations from two (2) distinct and separate persons to the Employer together with the PDP's recommendation accompanied by the supporting reasons for its recommendation. In the event that the Employer does not reject or fails to respond to the PDP's recommendation within seven (7) days from the date of its submission, the PDP shall be entitled to proceed with the selection and appointment of the substituted Works Package Contractor to complete the Works or if the PDP were to complete the Works on its own, the PDP shall do the same at the lowest price among the two (2) quotations.
- (d) Any costs incurred by the PDP arising from any act taken pursuant to the procedures set out in Section 2.5.9(b) or Section 2.5.9(c) of Part C of this Circular ("**Act of Intervention**") including the additional cost of completing the Works, shall be paid from the Step-In Contingency subject to compliance with the provisions of the PDP Agreement.

2.5.10 PDP Final Accounts

The PDP in each of its submission to the Employer shall notify the Employer of:-

- (a) the amount for the final sums and fee payable in accordance with the final accounts for the relevant Works Package Contract which is settled in regards to the said relevant Works Package Contract for the respective Works Package Contract; and
- (b) the full payment of all payrolls and other similar indebtedness, and all other sums and obligations howsoever incurred by the PDP in carrying out the Services, except amounts properly retained in accordance with the laws and the terms of the Works Package Contract and Services.

If the Employer does not issue any of the final accounts in regards to the Services for each Works Package Contract ("**PDP Final Accounts**") within 60 days from the PDP's request to the Employer for the issuance of each respective PDP Final Accounts and the conditions for the issuance of any of these certificates have been satisfied, then either Party may refer each event for dispute resolution in accordance with the terms of the PDP Agreement.

2.5.11 PDP Final Certificate

The PDP shall notify the Employer through a written request to the Employer for the purpose of issuance of the relevant PDP Final Certificate upon the issuance of a WPC final certificate for the relevant Works Package Contract.

If the Employer does not issue the said PDP Final Certificate in relation to the said Works Package Contract, within 60 days from the PDP's request to the Employer for the issuance of the said PDP Final Certificate and the conditions for the issuance of any of these said certificates have been satisfied, then either Party may refer each event for dispute resolution in accordance with the terms of the PDP Agreement.

2.5.12 Completion of Project

The completion of Project shall occur when all PDP Final Certificates have been issued.

2.5.13 Liquidated damages

- (a) If any Works Package Contractor fails to complete the Works Package Contract by the completion date in the relevant contract, the WPC shall pay the Employer liquidated and ascertained damages at the rate of 7% per annum of the value of the applicable Works Package Contract calculated on a daily basis for every day (or part thereof) of delay or until the date of termination of the Works Package Contract awarded to the said WPC.
- (b) In the event there is any delay in the WPC completing the applicable Works by the completion date of the Works Package Contract (which includes any extension of time granted pursuant to the provisions of the Works Package Contract and the PDP Agreement) due to any act or failure to act on the part of, or otherwise caused by the PDP, the PDP shall pay the Employer liquidated and ascertained damages at the rate of 7% per annum of the Provisional PDP Fees due for the relevant Works Package Contract calculated on a daily basis for every day (or part thereof) of delay until the actual completion of the said Works Package Contract.

2.5.14 Costs for delay

If at any time during the performance of the Services and/ or the Works any part thereof has been affected by an event which is a Relevant Event (as defined herein) and the PDP and/ or the Works Package Contractor(s) has incurred direct cost, loss and/ or expense, then, provided always that the PDP complies with the terms as set out in the PDP Agreement:-

- (a) in relation to Relevant Events (B), (C), (D), (E), (F), (I), (J) and (K):-
 - (i) such cost, loss and/ or expenses incurred by the PDP shall be paid as a Reimbursable and the amount equivalent to 4% of TCC shall be increased by the amount of such cost, loss and/ or expense incurred by the PDP; and
 - (ii) where the Works Package Contractor is entitled to (a) an increase in the WPC contract price by virtue of a WPC Variation and/ or (b) direct cost, loss and expense arising from an extension of time payable under the Works Package Contract, such increase, cost, loss and expense shall be paid by the Employer and the WPC contract price shall be adjusted in accordance with the terms set out in the PDP Agreement;

- (b) in relation to the Relevant Events (A), (H), (L) and (M), all such cost, loss and/ or expense shall be borne by the Employer.

For information purposes, the following circumstances shall be regarded as a “Relevant Event”:-

- (A) the PDP not being given possession of or access to the sites or any part thereof in accordance with the provisions set out in the PDP Agreement;
- (B) a Contract Variation as directed by the Employer or Employer’s representative to the PDP;
- (C) the PDP not having received in due time, necessary directions expressly to be provided by the Employer’s representative under the PDP Agreement for which the PDP has specifically, properly and duly applied for in writing provided that such application was made in accordance with the Master Implementation Programme, was neither unreasonably distant from nor unreasonably close to the date on which it was necessary for it to receive the same;
- (D) subject always to proper compliance by the PDP with the provisions set out in the PDP Agreement, the Employer and/ or the PDP not receiving the necessary Approvals from the relevant authority within the time period set out in the Master Implementation Programme;
- (E) any re-submission (falling within the provisions set out in Section 2.5.3 of Part C of this Circular) of any application by reason of the requirements or directions of any relevant authority or as a result of a direction to re-submit;
- (F) any breach, act of prevention or improper interference by any relevant authority, the Employer, the Employer’s representative, third party or their respective servants or agents;
- (G) an event that entitles any Works Package Contractor to an extension of time under any Works Package Contract and additional costs for the period of the extension;
- (H) any event arising from the Employer’s issue of a termination of the Works pursuant to the provisions set out in Section 2.5.9 of Part C of this Circular;
- (I) any direction by the Employer or the Employer’s representative or any order from a relevant authority;
- (J) by delay in receipt of any necessary permission or approval of any statutory body or local authority which the PDP has taken all practicable steps to assist the Employer to avoid or reduce;
- (K) a material suspension, deferment or extension of the Services and/ or the Works on instructions of the Employer, any relevant authority or the local authorities;
- (L) any order issued by a court of competent jurisdiction that effectively materially restrains, suspends or prevents the Services and/ or the Works from being provided or undertaken provided always that such proceedings are not brought about by an act or default on the part of the PDP;

- (M) a change in law or new law which was not reasonably foreseeable after the Unconditional Date, wherein a change in law or new law or in interpretation shall be deemed to be reasonably foreseeable wherein it was known or was reasonably foreseeable from information available, material circulated or published prior to the Unconditional Date.

2.5.15 PDP event of default and termination by Employer

- (a) The PDP shall be in default under the PDP Agreement if any of the following events occurs (each, a “**PDP Event of Default**”):-
 - (i) the PDP abandons any part of the Services except in relation to the instructions of a relevant authority or direction;
 - (ii) the PDP assigns and/ or novates the PDP Agreement or any right or obligation in breach of the PDP Agreement;
 - (iii) the PDP is in breach of its obligations under the anti-bribery representation, warranty and covenant clauses as set out in the PDP Agreement; or
 - (iv) the PDP commits a breach of any material term of the PDP Agreement and where applicable, has failed to remedy the breach in accordance with the provisions of the PDP Agreement.
- (b) Upon occurrence of a PDP Event of Default, the Employer may give written notice to the PDP specifying such PDP Event of Default (“**PDP Default Notice**”) and the following shall apply:-
 - (i) the PDP shall immediately commence and diligently continue to remedy the breach and to mitigate any adverse effects on the Employer;
 - (ii) the PDP shall put forward, within 30 days of receipt of the PDP Default Notice, a reasonable plan and schedule for diligently remedying the breach and mitigating its effects;
 - (iii) the plan and schedule shall specify in specific detail the manner that, and the latest date by when, such breach is proposed to be remedied, which latest date shall, in any event, be within 60 days of notice of the said breach, or if such breach is not capable of being rectified in such period, then such longer period as the Employer may agree upon; and
 - (iv) the PDP shall perform the Services to achieve all elements of the Master Implementation Programme in accordance with its terms within the time for the performance of the Services.
- (c) If the PDP fails to comply with the requirements under Section 2.5.15(b) of Part C of this Circular, then the Employer may, without prejudice to any of its other rights and remedies, terminate the appointment of the PDP under the PDP Agreement with immediate effect.
- (d) If the PDP becomes insolvent or is unable to pay its debts or fails or admits in writing its inability to pay its debts as they become due; or declared by a court of law to be in receivership, winding up or liquidation (collectively referred to as “**Event of Insolvency**”), then the Employer shall have the right to terminate the PDP’s appointment under the PDP Agreement forthwith by giving notice to the effect.

2.5.16 Non-default termination

If the Project is terminated or indefinitely suspended for any reason whatsoever by any relevant authority, the Employer may terminate the appointment of the PDP under the PDP Agreement by notice to the PDP.

In the event of a non-default termination, the Employer shall pay the PDP (based on all non-disputed PDP Payment Certificates due to the PDP) the unpaid amount of the Reimbursables specified in such payment certificates and the value of all the Services performed and Works done up to the date of termination.

2.5.17 Termination due to Employer's default

In the event that the Employer:-

- (a) fails to make payment of any amount properly due to the PDP under the PDP Agreement within 14 days of the due date; or
- (b) refuses or disables itself from performing any of its obligations under the PDP Agreement; or
- (c) suffers an Event of Insolvency; or
- (d) gives notice to the PDP that it is not possible for the Employer to continue to meet its contractual obligations,

then the PDP may give written notice to the Employer, of such breach requiring the Employer to proceed diligently to remedy the breach within 60 days of receipt of the notice and if the Employer fails to diligently proceed to remedy the breach within such period of 60 days, then the PDP may, by a further written notice terminate its employment under the PDP Agreement, such termination to take effect immediately upon receipt by the Employer of such notice. In the event of such termination, the Employer shall pay the PDP in accordance with Section 2.5.18(b) of Part C of this Circular as if there had been a termination under Section 2.5.16 of Part C of this Circular.

2.5.18 Termination consequences

- (a) If the appointment of the PDP under the PDP Agreement is terminated pursuant to Section 2.5.15(b) of Part C of this Circular:-
 - (i) the Employer shall pay the PDP (based on all non-disputed PDP Payment Certificates due to the PDP) the unpaid amount of the Reimbursables specified in such PDP Payment Certificates and the value of all the services performed and Works done up to the date of termination (which shall include all advance payments of fees);
 - (ii) subject to the sum equivalent to the amount of the Provisional PDP Fees ("Liability Limit"), the Employer may recover from the PDP any losses and damages incurred by the Employer arising out of, or in any way connected with the termination or the PDP Event of Default including any additional costs incurred in completing any outstanding Services;
 - (iii) the Employer may deduct all costs, losses and damages incurred under this section thereafter due to the PDP. The amount, if any, remaining to be paid thereafter to the PDP shall constitute the PDP's sole claim for payment following termination under Section 2.5.15(b) of Part C of this Circular;

- (iv) the Employer shall pay the PDP the part of the Provisional PDP Fees in proportion to the amount of Works carried out up to the date of termination; and
 - (v) for all disputed PDP Payment Certificates or disputed portions of PDP Payment Certificates, the Parties may refer the matter for resolution pursuant to the provisions set out in the PDP Agreement.
- (b) If the appointment of the PDP under the PDP Agreement is terminated pursuant to Section 2.5.16 or Section 2.5.17 of Part C of this Circular, the Employer shall pay the PDP:-
- (i) the unpaid amount of the Reimbursables specified in the PDP Payment Certificates and the value of all the Services performed and Works done up to the date of termination;
 - (ii) all auditable demobilisation costs and other direct costs that the PDP has actually incurred in terminating the Services and where applicable, the Works Package Contracts; and
 - (iii) the remaining balance of the PDP Fees.

The amount to be paid under Section 2.5.18(b) of Part C of this Circular shall be the PDP's sole claim for payment following termination under Section 2.5.16 or Section 2.5.17 of Part C of this Circular.

2.5.19 Liability and indemnity

- (a) Subject to Section 2.5.19(b) of Part C of this Circular and notwithstanding any other provision of the PDP Agreement, the total debt, liability, loss, expense, cost and/ or damage of any kind ("**Liability**") of the PDP to the Employer under the PDP Agreement shall be limited to the Liability Limit.
- (b) The Liability Limit shall not apply or extend to the PDP's Liability for any Liability sustained or incurred by the Employer arising out of or resulting from the fraudulent, illegal or unlawful acts or omissions, of the PDP or its Personnel;
- (c) Save as expressly provided in the PDP Agreement, neither Party shall be liable to the other Party for indirect punitive or consequential damages, including loss of profit or loss of opportunity;
- (d) Subject to the Liability Limit, the PDP shall indemnify and hold harmless the Employer and all its Personnel from and against any and all Liability that the Employer may suffer, sustain or incur, and any claim against the Employer (including legal fees incurred in defending any claim), arising from:-
 - (i) any act or omission of the PDP or its Personnel or any other person for whom the PDP is responsible at Law; and
 - (ii) any breach by the PDP of the PDP Agreement
- (e) The PDP's Liability under Section 2.5.19(d) of Part C of this Circular will be reduced proportionately to the extent that the Liability or claim was contributed to by a negligent act or omission of the Employer or its Personnel. The Employer is entitled to a right of set-off in relation to any monies due when enforcing a right of indemnity conferred by the PDP Agreement.

3. INFORMATION ON KLSB

KLSB was incorporated in Malaysia under the Act on 16 March 2009 as a private limited company.

KLSB is principally involved in investment holding and property investment.

As at LPD, the authorised share capital of KLSB is RM50,000,000, comprising 50,000,000 ordinary shares of RM1.00 each in KLSB (“KLSB Shares”) of which RM32,463,002 comprising 32,463,002 KLSB Shares have been issued and fully paid up.

As at LPD, the shareholder and directors of KLSB are as follows:-

Name	Nationality/ Place of incorporation	<-----Direct----->		<-----Indirect----->	
		No. of KLSB Shares held	%	No. of KLSB Shares held	%
<u>Shareholder</u>					
EPF	Malaysia	32,463,002	100	-	-
<u>Directors</u>					
Tan Sri Sansudin bin Osman	Malaysian	-	-	-	-
Dato` Mohamad Lotfy bin Mohamad Noh	Malaysian	-	-	-	-
Datuk Seri Michael Yam Kong Choy	Malaysian	-	-	-	-
Dato` Mohd Fadzil bin Haji Mohd Khir	Malaysian	-	-	-	-
James Lim Tuang Ooi	Malaysian	-	-	-	-
Halim bin Haji Din	Malaysian	-	-	-	-
Dr. Roslan A. Ghaffar	Malaysian	-	-	-	-

4. RATIONALE FOR AND PROSPECTS OF THE PROPOSED PDP CONTRACT

The Proposed PDP Contract, which is in the ordinary course of business of MRCB Group, will further enhance our Group’s track record and involvement in large scale infrastructure construction and development projects. The Proposed PDP Contract will not only enhance the visibility and reputation of MRCB Group via its involvement with the Kwasa Damansara Township, but is also expected to provide our Group with a steady stream of income and contribute positively to our Company’s future earnings over the expected duration of the Project up to the end of year 2023, which bodes well for the shareholders of our Company. In addition, through our involvement in the Proposed PDP Contract, our Group gains significant exposure to the Kwasa Damansara development which may provide opportunity for our Company to participate in the various engineering and construction for the other sections of the development in the future.

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KLSB is the master developer of the entire piece of approximately 2,330.42 acres of the Kwasa Damansara land in Sungai Buloh, a prime piece of land in the heart of the Klang Valley. The proposed Kwasa Damansara Township is a large-scale integrated residential and commercial development based on a visionary master plan by KLSB which focuses on three (3) key components, being 'Green Township', 'Inclusive' and 'Connected'. The Kwasa Damansara Township will emphasise ecological improvements and neutralisation of carbon emissions by infusing green technology into structures and infrastructures throughout the development. Additionally, KLSB envisages a township with a mix of affordable housing amidst parks and open spaces and luxury residences in exclusive recreational spaces such as golf courses, lakeside homes and other premier environments. Security and safety rank as priorities with special road features for the elderly and the young. The Kwasa Damansara Township is also well-connected to the proposed mass rapid transit ("MRT") stations (the Kwasa Damansara and Kwasa Sentral stations run through the development) and a network of roads and highways, such as the New Klang Valley Expressway, Guthrie Corridor and Damansara-Shah Alam Highway, linking the township to the rest of Greater Kuala Lumpur and minimising travelling time to the Kuala Lumpur city centre for its residents. The value of the Kwasa Damansara Township also significantly hinges on the strategic location that it commands in the matured and burgeoning surrounding suburbia of Petaling Jaya, Subang, Subang Jaya, Kelana Jaya, Shah Alam, Damansara and Sungai Buloh, which forms a captive market for the services and facilities available within the Kwasa Damansara Township. Currently, the construction of the common infrastructure on the Majlis Bandaraya Shah Alam area at the Kwasa Damansara Township has already commenced.

5. RISK FACTORS FOR THE PROPOSED PDP CONTRACT

Save as disclosed below, your Board is not aware of any other risk factor arising from the Proposed PDP Contract which could materially affect the business, operating results and financial condition of our Company.

5.1 Non-completion of the Proposed PDP Contract

The Proposed PDP Contract is conditional upon the approval from the shareholders of MRCB as the Proposed PDP Contract is deemed a RPT in accordance with the Listing Requirements, further details of which are set out in Section 9 of Part C of this Circular. In the event the condition precedent is not fulfilled, the Proposed PDP Contract shall automatically be terminated and our Group will have to forego the potential revenue stream arising from the Proposed PDP Contract.

Nevertheless, your Board will take reasonable steps to ensure that the condition precedent stated in the PDP Agreement is met within the stipulated timeframe in order to complete the Proposed PDP Contract in a timely manner.

5.2 Delay in completion of projects

The timely completion of a construction or development project may be affected by many external factors, including shortages of construction materials and skilled workers, unavailability and inefficiency of equipment, labour disputes and the non-performance or unsatisfactory performance by contractors appointed to complete the Project.

For information purposes, in the event there is any delay in the WPC completing the applicable Works by the completion date of the Works Package Contract (which includes any extension of time granted pursuant to the provisions of the Works Package Contract and the PDP Agreement) due to any act or failure to act on the part of, or otherwise caused by the PDP, the PDP shall pay the Employer liquidated and ascertained damages at the rate of 7% per annum of the Provisional PDP Fees due for the relevant Works Package Contract calculated on a daily basis for every day (or part thereof) until the actual completion of the said Works Package Contract.

In order to mitigate such risks, MRCB Builders will continue to leverage on our Group's extensive experience in construction and also monitor the progress of the works performed by the WPCs closely.

5.3 Inability to manage costs effectively

Pursuant to the PDP Agreement, the Reimbursables are subject to a maximum cap of 4.0% of the TCC for the Project, which may be varied by mutual agreement. In the event that the Reimbursables exceed the abovementioned cap, the excess cost may not be reimbursed by the Employer and hence, will have to be borne by MRCB Builders unless the amount allocated for Reimbursables is varied by mutual agreement.

Further, should any Works Package Contract be terminated, MRCB Builders may elect to step in, carry out and complete the outstanding works either by itself, or by awarding a contract to a third party to complete the outstanding works. In such instances, the additional costs for stepping in to complete the outstanding works may be deducted and/ or set off against the Step-In Contingency; and the WPC performance bond (if called); and if required, the Retention Sum from the PDP Fees for the relevant Works Package Contract. The Employer will still be required to pay the balance of the amounts due under each Works Package Contract to the terminated Works Package Contractor (after appropriate deductions) and thereafter the remaining value of each Works Package Contract will be paid by the Employer to the new contractor appointed to complete the outstanding works. Only the additional costs beyond the original value of the Works Package Contract (as described above) are to be deducted from the Step-In Contingency; and the WPC performance bond (if called); and if required, the Retention Sum from the PDP Fees for the relevant Work Package Contract. Thereafter, any excess costs incurred will be borne by the PDP.

Nonetheless, MRCB Builders will mitigate such risks by monitoring the costs incurred and progress of the works performed by the WPCs for each Works Package Contract closely throughout the tenure of the Project.

5.4 Delay and/ or non-payment of the PDP Fees, Reimbursables or Contingency

In consideration of the Services to be provided by MRCB Builders for the Proposed PDP Contract, the Employer shall pay MRCB Builders the PDP Fees and Reimbursables plus GST within the timeframe as specified in the PDP Agreement. In addition, in the event that MRCB Builders incur additional costs for (i) Services and/ or Works arising from variation or changes that are demonstrated by the PDP to be necessary to complete the Project in accordance with the PDP Agreement as well as the Employer's requirements as set out in the PDP Agreement; or (ii) exercise of Act of Intervention, the Contingency shall, with the agreement of the Employer, be utilised to pay MRCB Builders for such additional costs. However, there is no assurance that MRCB Builders will receive the aforementioned payments within the stipulated timeframe, or any payment at all. Nevertheless, in the event that the Employer fails to make payment of any amount properly due to MRCB Builders under the PDP Agreement within 14 days of the due date, and fails to remedy such breach within the stipulated timeframe, MRCB Builders shall be entitled to terminate the PDP Agreement and the Employer shall pay MRCB Builders in accordance with the terms of the PDP Agreement as set out in Section 2.5.18(b) of Part C of this Circular.

To mitigate this risk, MRCB Builders shall monitor any outstanding payments by analysing the monthly aging report and following up closely with the Employer.

5.5 Inability to obtain Approvals

MRCB Builders shall assist in the preparation of the applications (including all necessary documents to be included with such applications) for Approvals required in the name of the Employer for the undertaking of the Works to enable the Employer (or if directed by the Employer, MRCB Builders) to submit such application and use its best endeavours to follow up on such applications to obtain the timely issuance of the relevant Approvals.

However, there can be no assurance that the Employer and/ or MRCB Builders will receive the necessary Approvals from the relevant authority, and that the receipt of such Approval will be within the time period set out in the Master Implementation Programme. In such event, provided that MRCB Builders has complied with the terms as set out in the PDP Agreement, MRCB Builders is entitled to claim for an extension of time and additional monies and the amount equivalent to 4% of TCC shall be increased by the amount of such cost, loss and/ or expense incurred. Should the Employer be unable to obtain any or all the Approvals, the Employer may give notice to the PDP that it is unable to meet its contractual obligations, which may subsequently result in the termination of the PDP Agreement.

In the event the PDP Agreement is terminated due to the Employer's inability to obtain the necessary Approvals from the relevant authorities, the Employer shall pay MRCB Builders in accordance with the terms of the PDP Agreement as set out in Section 2.5.18(b) of Part C of this Circular. However, our Group will forgo the potential revenue income stream arising from the PDP Fees in respect of the construction of the remaining portions of the Project which have been terminated due to failure to obtain the necessary Approvals.

5.6 Termination or indefinite suspension of the Project

The PDP Agreement contains termination clauses which may be invoked by either Party due to the occurrence of an event of default by the other Party, as set out in Sections 2.5.15 and 2.5.17 of Part C of this Circular. In addition, the PDP Agreement may also be terminated as a result of the termination or indefinite suspension of the Project for any reason whatsoever by any relevant authority, as set out in Section 2.5.16 of Part C of this Circular. In the event of termination, MRCB Builders shall be entitled to such payments and/ or claims in accordance with the terms of the PDP Agreement as set out in Section 2.5.18 of Part C of this Circular. However, our Group will forgo the potential revenue income stream arising from the PDP Fees in respect of the construction of the remaining portions of the Project which have been terminated.

5.7 Revision in Development Cost resulting in reduction of PDP Fees

As the PDP Fees to be received by MRCB Builders is determined based on the actual Development Cost, which is still subject to revision and update, any downward revision in the Development Cost would in turn result in a corresponding reduction of the PDP Fees payable to our Group.

Nevertheless, MRCB Builders shall endeavour to minimise this risk by ensuring a proper and detailed cost planning, budgeting, estimating and forecasting process based on the detailed design and specifications prior to the award of each Works Package Contract as approved by the Employer.

6. OVERVIEW AND PROSPECTS

6.1 Overview and outlook of the Malaysian economy

In 2016, the Malaysian economy is expected to continue to expand amid a challenging external environment including slower growth in the advanced economies; prolonged low oil prices; and volatile international financial markets. As an open economy, Malaysia is not immune to these external uncertainties. Nevertheless, the economic, financial and fiscal reforms undertaken over the years have provided sufficient buffers to weather external shocks. The country's fundamentals remain strong, including a stable labour market with full employment; manageable inflation; healthy foreign reserves; and a sound financial system with efficient intermediation to support the economy. Although subdued prices weigh on commodity exports, the diversified products and markets continue to support Malaysia's trade performance.

Domestic demand is expected to remain resilient and continue to be the key engine of growth. Private consumption, contributing 53.3% to gross domestic product (“GDP”) is expected to expand steadily on account of stable growth in employment and income, additional disposable income from the Malaysian Government measures and accommodative financing conditions. Private investment activity is expected to remain firm supported by the on-going and commencement of new projects in the services, manufacturing and construction sectors. In addition, private investment is expected to benefit from measures implemented to further improve business environment. Public sector spending will continue to support growth, while remaining committed to fiscal consolidation path.

On the supply side, the services and manufacturing sectors continue to be the main contributors to GDP growth. Meanwhile, output of domestic-oriented industries such as food products and construction-related cluster are expected to continue to be strong in line with robust domestic consumption and implementation of infrastructure projects. The construction sector is expected to grow significantly on account of acceleration of civil engineering projects and building of residential properties.

The consumer price index is expected to remain manageable ranging between 2% and 2.5% in 2016.

For the year, the economy is expected to remain on a steady growth path, expanding between 4% and 4.5%, with private sector contributing significantly to GDP growth. Gross national income (“GNI”) is estimated to increase 6.4% to RM1.2 trillion (2015: 5.2%; RM1.1 trillion) with income per capita growing 4.8% to RM37,812 (2015: 3.6%; RM36,078).

Prospects for 2017

The Malaysian economy is expected to expand between 4% and 5% in 2017 (2016: 4% - 4.5%) with nominal GNI per capita increasing 5% to RM39,699 (2016: 4.8%; RM37,812). Economic growth will be underpinned by strong domestic demand, especially private sector expenditure. Private sector activity will be supported by pro-growth fiscal and accommodative monetary policies in an environment of stable inflation, which is projected to range between 2% and 3% (2016: 2% - 2.5%). Meanwhile, public sector expenditure will be driven mainly by higher capital investment by public corporations.

(Source: Economic Report 2016/2017, Ministry of Finance - Chapter 3: Economic Performance and Prospects)

6.2 Overview and outlook of the Malaysian construction sector

Value-added of the construction sector recorded a strong growth of 8.4% during the first half of 2016 (January - June 2015: 7.6%). The acceleration of civil engineering works and sustained expansion in residential activities outweighed the tapering growth in the non-residential subsector. Overall, these three property subsectors contributed the highest share (more than 80%) of all construction activities. Total value of construction works completed during the first half of 2016 expanded 11.4% to RM62 billion with 11,881 projects (January - June 2015: 11.6%; RM56 billion; 12,158 projects). The civil engineering subsector contributed 33.2% to the total value of construction works, followed by non-residential (32.1%), residential (29.8%) and specialised construction activities (4.9%) subsectors. The private sector continued to dominate construction activity with a share of 66.3% in the first half of 2016. For the year, the construction sector is expected to expand 8.7% (2015: 8.2%).

The civil engineering subsector recorded a double-digit growth of 21.4%, supported by investment in petrochemical industries and ongoing infrastructure works (January - June 2015: 2.9%). These include the construction of Refinery and Petrochemical Integrated Development (RAPID); Independent Deepwater Petroleum Terminal Phase 2 Pengerang; and Petronas LNG Complex Bintulu. The upgrading of Klang Valley Double Track Rawang - Salak Selatan Line; construction of new Deep Water Terminal at Kuantan Port, Pan Borneo Highway Phase 1 and Water Supply Scheme Kuala Terengganu North; as well as road upgrading works, especially in Selangor, Pahang and Johor are expected to further augment the growth of this subsector.

The residential subsector grew 10.4% supported by steady growth in incoming supply at 13.1% to 816,174 units (January - June 2015: 13.5%; 10.3%; 721,730 units). Klang Valley, accounting for 26.2%, continued to contribute the most of the incoming supply mainly due to increasing affordable housing schemes (January - June 2015: 25.6%). However, during the period, new approvals declined significantly by 32% to 44,389 units as developers are clearing unsold properties, while buyers are more cautious amid increasing uncertainties in the global environment (January - June 2015: -2.1%; 65,231 units). Likewise, housing starts declined 16.8% to 60,378 units (January - June 2015: 15%; 72,545 units). Of which, terrace houses and condominiums/ apartments accounted for 43.6% (26,324 units) and 29.9% (18,070 units), respectively, while low-end houses 11% (6,617 units).

Construction activity in the non-residential subsector grew at a moderate pace of 3% (January - June 2015: 19.8%). This was mainly due to a further decline in construction starts, particularly in the industrial (-77.1%), shopping complexes (-43.6%) and shops (including small office home office and serviced apartment) (-36.5%) segments (January - June 2015: -21.5%; 618.7%; 156.7%). The Purpose-Built Office segment improved with the incoming supply rebounding 28.4% to 2 million square metres (“sm”), while planned supply increased sharply by 56% to 1 million sm (January - June 2015: -15.9%; 1.6 million sm; 36.6%; 0.7 million sm).

Prospects for 2017

The construction sector is projected to grow 8.3% (2016: 8.7%) mainly supported by the commencement of large infrastructure projects such as MRT Sungai Buloh – Serdang - Putrajaya Line, Pan Borneo Highway, Sungai Besi - Ulu Klang Elevated Expressway and Damansara - Shah Alam Elevated Expressway. The upgrading road works from Klang Container Terminal - North Port and the construction of infrastructure in Malaysia Vision Valley are expected to further support the sector. The residential subsector is projected to expand driven by affordable housing programmes, particularly Malaysia Civil Servants Housing. Meanwhile, the non-residential subsector is expected to benefit from the mixed commercial development mainly in Klang Valley, Johor and Pahang.

(Source: Economic Report 2016/2017, Ministry of Finance - Chapter 3: Economic Performance and Prospects)

6.3 Prospects of MRCB

Our Group will continue our strategy of focusing on our core activities.

Our Group offers a unique proposition as an urban developer of commercial and residential property developments centred around strong mass transportation infrastructure, which we have successfully undertaken at our KL Sentral CBD Transit Oriented Development (“TOD”) project. Our Group will therefore strive to emulate this success in other TOD projects of ours.

Our Group’s property investment activity will largely continue to be undertaken through our 31% stake in MRCB-Quill REIT (“REIT”), which not only provides a potential avenue for our Group to unlock value from the disposal of our completed projects to the REIT, but also allows us to earn a relatively steady and consistent stream of income from our unitholdings in the REIT over the medium to longer term.

Our construction, engineering & environment division continues to tender for more contracting projects, which has led to a sizeable increase in our order book, which will keep the division busy over the next few years. Furthermore, the division is also placing greater emphasis on trying to secure long term fee based work which aims to reduce volatility in our construction revenues, and improve the consistency of our construction related earnings.

With these strategies in place, your Board believes our Group is well positioned to overcome future challenges.

7. EFFECTS OF THE PROPOSED PDP CONTRACT

The pro forma effects of the Proposed PDP Contract 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:-

7.1 Share capital and substantial shareholders' shareholdings

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

7.2 NA per share and gearing

For information purposes, the pro forma financial statements of our Company in respect of the Proposed PDP Contract should include pro forma adjustments which are directly attributable to the event or transaction, factually supportable and consistent with our Group's applicable financial reporting framework. Directly attributable adjustments 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 entity entering into the transaction. This is consistent with the requirements of the International Standard on Assurance Engagements 3420.

As the overall timeframe of the Project has not been fixed and shall be undertaken in accordance with the Master Implementation Programme which is subject to revision from time to time throughout the progress of the Project, the provisional Development Cost and hence, the Provisional PDP Fees and the Reimbursables are still subject to change. As such, it is currently too early to ascertain the expected profits to be derived by MRCB Builders from the Proposed PDP Contract and the corresponding effects on the NA and NA per share of MRCB. The actual effects on our Group's gearing will depend on actual bank borrowings, if any, to be obtained by MRCB Builders to fund its obligations under the PDP Agreement, the quantum of which cannot be determined at this juncture.

The transaction expenses in relation to the PDP Agreement may be fully capitalised as contract costs in accordance with the requirements of Financial Reporting Standards III: Construction Contracts. For information purposes, such transaction expenses amount to approximately RM1.22 million and includes the following:-

	RM('000)
Advisory fees	758
Regulatory fees	11
Stamp duties	112
Printing and advertising costs	82
Miscellaneous expenses	254
Total	1,217

7.3 Earnings and EPS

As the PDP Fees will be recognised by our Group on a "stage of completion" basis, the Proposed PDP Contract is not expected to have any material effect on the earnings and EPS of MRCB for the FYE 31 December 2016. However, the Proposed PDP Contract is expected to contribute positively to the future earnings and EPS of MRCB Group over the construction period of the Project.

Nevertheless, as the overall timeframe of the Project has not been fixed and shall be undertaken in accordance with the Master Implementation Programme which is subject to revision from time to time throughout the progress of the Project, the provisional Development Cost and hence, the Provisional PDP Fees and the Reimbursables are still subject to change. As such, it is currently too early to ascertain the expected profits to be derived by MRCB Builders from the Proposed PDP Contract.

8. APPROVALS REQUIRED FOR THE PROPOSED PDP CONTRACT

The Proposed PDP Contract 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 PDP Contract is not conditional upon any other corporate proposal undertaken or to be undertaken by our Company.

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

Save as disclosed below, none of the directors and/ or major shareholders of our Company or any persons connected to them have any interest, whether direct and/ or indirect, in the Proposed PDP Contract.

EPF is a major shareholder of our Company and the sole shareholder of KLSB. Hence, EPF is deemed interested in the Proposed PDP Contract and will abstain from voting in respect of its direct and/ or indirect interest in our Company on the ordinary resolution pertaining to the Proposed PDP Contract 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 our Company, if any, on the ordinary resolution pertaining to the Proposed PDP Contract to be tabled at the forthcoming EGM.

Datuk Shahril Ridza Ridzuan, a Non-Independent Non-Executive Director of our Company, is the Chief Executive Officer of EPF. In addition, Tan Sri Azlan Zainol, the Non-Independent Non-Executive Chairman of our Company and Rohaya Mohammad Yusof, a Non-Independent Non-Executive Director of our Company, 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 PDP Contract. Accordingly, the Interested Directors have abstained and will continue to abstain from all Board deliberations and voting in respect of the Proposed PDP Contract. The Interested Directors will also abstain from voting in respect of their direct and/ or indirect interest in our Company on the ordinary resolution pertaining to the Proposed PDP Contract 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 our Company, if any, on the ordinary resolution pertaining to the said Proposed PDP Contract to be tabled at the forthcoming EGM.

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

	<-----Direct----->		<-----Indirect----->	
	No. of MRCB Shares	%	No. of MRCB Shares	%
<u>Interested Major Shareholder</u>				
EPF	722,457,897	34.73	-	-
<u>Interested Directors</u>				
Tan Sri Azlan Zainol	120,000	*	30,000 ⁽¹⁾	*
Datuk Shahril Ridza Ridzuan	500,000	0.02	-	-
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.

10. 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) 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 KLSB 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 (“Shareholders’ Agreement”) with KLSB 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 (“Subscription”).

The Subscription was approved by our Company’s shareholders at the EGM held on 12 February 2015.

On 8 August 2016, our Company had announced that it had entered into a supplemental shareholders’ agreement with KLSB and KSSB to vary certain terms of the Shareholders’ Agreement.

The Subscription is expected to be completed by the second (2nd) quarter of 2017.

- (ii) Management contract between Kwasa Utama Sdn Bhd (formerly known as Kwasa Development (1) Sdn Bhd) (“KUSB”) and our Company for the appointment of our Company 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 (“C8 Construction”)

On 28 October 2015, our Company had announced that it had entered into a management contract with KUSB whereby KUSB had appointed our Company as the Management Contractor for the C8 Construction.

The C8 Construction was approved by our Company's shareholders at the EGM held on 21 December 2015 and the Management Contract had become unconditional on the same date.

The C8 Construction is expected to be completed by (a) 31 December 2024, or (b) the date of completion of all the contracts between KUSB and our Company (for which the first notice to proceed by KUSB were issued on or before 31 December 2024), whichever is later.

11. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed PDP Contract 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 Subscription, as set out in Section 10(i) of Part C of this Circular;
- (ii) The C8 Construction, as set out in Section 10(ii) of Part C of this Circular;
- (iii) 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 MRCB Land Sdn Bhd, 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.

On 8 January 2016, our Company had announced that the Government had, vide its letter to RJSB dated 28 December 2015, agreed to RJSB's request for an extension of time of one (1) month from 28 December 2015 until 28 January 2016 to fulfil the conditions precedent as set out in the Privatisation Agreement.

Subsequently on 26 January 2016, our Company had announced that the Government had, vide its letter to RJSB dated 22 January 2016, agreed to RJSB's request for a further extension of time until 10 February 2016 to fulfil the conditions precedent as set out in the Privatisation Agreement.

On 2 February 2016, our Company had announced that RJSB had on 29 January 2016 entered into a supplemental agreement to the Privatisation Agreement with the Government and Hartanah to vary certain clauses in the Privatisation Agreement as well as modify certain deliverables in relation to the fulfillment of conditions precedent and construction works programme as set out in the Privatisation Agreement.

The Privatisation Agreement had become unconditional on 4 February 2016 and is expected to be completed by the end of 2020.

- (iv) Private placement of up to 493,610,683 new MRCB Shares ("**Placement Shares**"), representing up to 20% of the issued and paid up share capital of MRCB

On 16 November 2015, our Company had announced 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 ("**Private Placement**").

The first tranche of the Private Placement comprising 100,000,000 Placement Shares had been completed on 25 April 2016, following the listing of and quotation for 100,000,000 Placement Shares on the Main Market of Bursa Securities.

On 18 May 2016, our Company had announced that Bursa Securities had vide its letter dated 17 May 2016, which was received on 18 May 2016, approved an extension of time until 1 December 2016 for our Company to complete the implementation of the Private Placement.

The second tranche of the Private Placement comprising 193,625,000 Placement Shares had been completed on 22 August 2016, following the listing of and quotation for 193,625,000 Placement Shares on the Main Market of Bursa Securities.

The remaining Placement Shares will be issued in subsequent tranches.

- (v) Proposed disposal by 348 Sentral Sdn Bhd, a wholly-owned subsidiary of our Company (“**348 Sentral**”), of Menara Shell (as defined herein) to Maybank Trustees Berhad (“**MTB**”), acting solely in the capacity as trustee for MRCB-Quill REIT (“**MQ REIT**”) and proposed subscription by MRCB of no less than RM110 million but up to RM152 million in value of new units in MQ REIT (“**Units**”) pursuant to the proposed placement exercise to be undertaken by MQ REIT

On 3 December 2015, our Company had announced that 348 Sentral had on 3 December 2015 entered into a head of agreements with MTB for the proposed disposal of a 33-storey office tower known as “Menara Shell” together with a 5-storey podium and 4-storey basement car park bearing the postal address of No. 211, Jalan Tun Sambanthan, 50470 Kuala Lumpur, Wilayah Persekutuan, Malaysia and erected on part of the freehold land held under the master title of Geran 40094, Lot 348, Section 72, Town and District of Kuala Lumpur, Federal Territory of Kuala Lumpur, Malaysia, for a total cash consideration of RM640 million (“**Proposed Disposal**”).

On 3 March 2016, our Company had announced that the cut-off date for the execution of the sale and purchase agreement in relation to the Proposed Disposal had been extended to 15 April 2016. Subsequently, the cut-off date was further extended to 30 May 2016 and then to 14 July 2016.

On 30 June 2016, our Company had entered into a conditional sale and purchase agreement with MTB for the Proposed Disposal for a total cash consideration of RM640 million.

Concurrently, it was also announced that our Company had undertaken to subscribe for no less than RM110 million but up to RM152 million in value of new Units pursuant to MQ REIT’s proposed placement of up to 406,666,667 new Units at an issue price to be determined by way of bookbuilding (“**Proposed Subscription**”).

The Proposed Disposal and Proposed Subscription are expected to be completed by the fourth (4th) quarter of 2016.

- (vi) Proposed establishment of a long-term incentive plan of up to 10% of the issued and paid-up share capital of MRCB

On 25 August 2016, our Company had announced that it is proposing to undertake a long-term incentive plan of up to 10% of the issued and paid-up share capital of MRCB (excluding treasury shares), for the eligible employees of the MRCB Group (excluding subsidiaries which are dormant) and eligible executive directors of MRCB (“**Proposed LTIP**”).

The Proposed LTIP is expected to be implemented by the second (2nd) quarter of 2017.

12. DIRECTORS' STATEMENT AND RECOMMENDATION

Your Board (save for the Interested Directors), after having considered all aspects of the Proposed PDP Contract and after careful deliberation, is of the opinion that the Proposed PDP Contract 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 PDP Contract 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 PDP Agreement, the QS' estimation of the GDC for the Project, the rationale for and prospects of the Proposed PDP Contract as well as after discussion with the advisers appointed by our Company, as set out in Section 16 of Part C of this Circular.

13. STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee (save for Rohaya Mohammad Yusof, being an Interested Director) is of the opinion that the Proposed PDP Contract is in the best interest of our Company and the terms of the Proposed PDP Contract are fair, reasonable and on normal commercial terms and hence, 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 PDP Agreement, the QS' estimation of the GDC for the Project, the rationale for and prospects of the Proposed PDP Contract as well as after discussion with the Independent Adviser.

14. TENTATIVE TIMELINE FOR THE PROPOSED PDP CONTRACT

Barring any unforeseen circumstances and subject to the approvals (as set out in Section 8 of Part C of this Circular) being obtained, the tentative timeline in relation to the Proposed PDP Contract is as follows:-

Month	Events
End November 2016	<ul style="list-style-type: none">EGM to approve the Proposed PDP Contract
By early December 2016	<ul style="list-style-type: none">PDP Agreement becomes unconditional

15. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the Proposed PDP Contract is expected to become unconditional by early December 2016, whilst the Project is expected to complete by the end of year 2023.

16. ADVISERS

RHB Investment Bank was appointed as the Principal Adviser for the Proposed PDP Contract on 24 May 2016.

PCM Kos Perunding was appointed as the QS to prepare the QS Report on 22 April 2016.

In view that the Proposed PDP Contract is deemed an RPT under Paragraph 10.08 of the Listing Requirements, Kenanga Investment Bank has been appointed on 22 April 2016 to act as the Independent Adviser to provide the non-interested directors and non-interested shareholders with an independent evaluation of the Proposed PDP Contract.

17. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Mahkota Ballroom II, BR Level, Hotel Istana Kuala Lumpur City Centre, 73, Jalan Raja Chulan, 50200 Kuala Lumpur on Wednesday, 30 November 2016 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the ordinary resolution to give effect to the Proposed PDP Contract.

If you are unable to attend and vote in person at the EGM, please complete, sign and send the enclosed Form of Proxy 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 stipulated for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

18. 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

EXECUTIVE SUMMARY OF THE QS REPORT



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.

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1 June 2016

Our Ref: PCM/MRCB/Kwasalnfra/1/2016

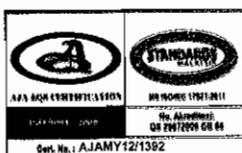
*The Board of Directors
Malaysian Resources Corporation Berhad
Level 30, Menara Allianz Sentral
No 203, Jalan Tun Sambanthan
Kuala Lumpur Sentral
50470 Kuala Lumpur*

Dear Sir or Madam:

EXECUTIVE SUMMARY OF INDEPENDENT GROSS DEVELOPMENT COST ("GDC") ANALYSIS FOR THE CONSTRUCTION AND COMPLETION OF THE COMMON INFRASTRUCTURE INCLUDING THE COMMON ROADS, DRAINAGE SYSTEM, WATERWORKS, TELECOMMUNICATION, SEWERAGE AND MECHANICAL AND ELECTRICAL INFRASTRUCTURE FOR THE MAJLIS BANDARAYA PETALING JAYA AREA OF THE KWASA DAMANSARA TOWNSHIP ("PROPOSED DEVELOPMENT")

The Executive Summary of the GDC Report was prepared for inclusion in the Circular to the shareholders of Malaysian Resources Corporation Berhad dated 15 November 2016 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:-



* CONSTRUCTION CONSULTANTS

* PROJECT MANAGERS

* QUANTITY SURVEYORS

Sr SHAHRIL HJ AWANG
Reg. QS., MRISM

Sr ENG TEIT GOY
Reg. QS., MRISM

Sr ADELIN TAN
Reg. QS., MRISM, MRICS

EXECUTIVE SUMMARY OF THE QS REPORT (Cont'd)

1.1 PROJECT BACKGROUND

1.1.1 *The project comprises approximately 1,600 acres of infrastructure works which is located at the southern part of a new sustainable community township known as Kwasa Damansara Township.*

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 and assessed for reasonableness/adequacy based on market and industry best practices.*
- *Acceptable costing methodology and 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 master layout plan infrastructure drawings provided by MRCB – Refer Table 1*

1.3.2 *Total acreage of the land for infrastructure development which is 1,600 acres.*

1.3.3 *Quantum of fees for Consultant's Professional Services - Refer Table 2*

1.3.4 *List of Major infrastructure cost elements for costing purposes. – Refer Table 3*

1.3.5 *Reimbursable Cost Elements – Refer Table 4*

1.3.6 *List of sub-elements of Infrastructure cost elements for costing purposes – Refer Table 5*

EXECUTIVE SUMMARY OF THE QS REPORT (Cont'd)

Table 1:- Infrastructure Master Layout Plan – Provided By MRCB

Infrastructure Element	Drawing Reference No
Road Works	RRI/C&S/RD/OLP/KM/Rev01
Drainage Works	RRI/C&S/DR/OLP/KM/Rev01
Sewerage Works	RRI/C&S/SW/OLP/KM/Rev01
External Water Reticulation Works	RRI/C&S/WS/RLD/OLP/KM/Rev01, RRI/C&S/WS/DL/OLP/KM/Rev01

Table 2:- Quantum of Fees for Consultants provided by MRCB

Type of Consultants	Percentile (%)	Scope of Work
Town Planner		Design & Planning
Civil & Structural Engineer		Design & Planning
Electrical & Mechanical Engineer		Design & Planning
ICT Consultant		Design and Planning
Traffic Management Consultant		Design and Planning
Landscape Consultant		Design and Planning
Environmental Consultant		Design and Planning
Quantity Surveyor		Cost & Contract Management
Land Survey Consultant		Land Surveying
Total	6.50% of TCC	

Note: For purpose of calculation, the fees are based on the total construction cost ("TCC"). The percentile (%) is provided by MRCB.

EXECUTIVE SUMMARY OF THE QS REPORT (Cont'd)

Table 3:- List of Major Infrastructural Cost Elements – Provided By MRCB

ITEM	CATEGORY
A.	PRIMARY AND SECONDARY INFRASTRUCTURE
B.	WORK OUTSIDE BOUNDARY
C.	PRELIMINARIES
D.	GENERAL CONTINGENCIES AND STEP-IN CONTINGENCIES
E.	PROFESSIONAL AND MANAGEMENT FEES
F.	AUTHORITY AND STATUTORY COST

Source: - List provided by MRCB

Table 4:- Reimbursable Cost Element and Percentile (4% of TCC) provided by MRCB

ITEM	DESCRIPTION
A.	STAFF COST
B.	TRAVEL EXPENSES (SAVE FOR DAILY COMMUTE COST AND EXPENSES)
C.	SOFTWARE COST

Source: - List provided by MRCB

EXECUTIVE SUMMARY OF THE QS REPORT (Cont'd)

Table 5: List of sub-elements of Infrastructure Cost Elements provided by MRCB

Item	Infrastructure Element	Sub-Element
1	Temporary Works	Enabling Works and Project Site Office. Entrance Statement Beautification. Preservation of Existing Trees. Site Clearance, Site Preparation and Earthworks
2	Roadworks and Bridges	Main road 40m road reserve, Secondary road 30m road reserve, Minor road 24m road reserve, Minor road 20m road reserve, Minor road 16m road reserve, Road kerbs. Pedestrian Walkaway Road Furniture and Road signs Bridges over rivers Park and Ride Facilities Slope Stabilisation and Protection Noise Barriers at MRT Depot
3	Drainage Works	Main Drain Roadside Drain Culverts and Sumps Retention Pond Natural Stream Upgrading Main River Upgrading Gross Pollutant Trap Drain Retaining Structure Swales Water Quality Treatment Plant
4	Sewerage Reticulation and STP	Sewerage Pipes and Manholes Pumping Station Sewerage Treatment Plant Temporary STP

EXECUTIVE SUMMARY OF THE QS REPORT (Cont'd)

Table 5: List of sub-elements of Infrastructure Cost Elements provided by MRCB [Cont'd]

Item	Infrastructure Element	Sub-Element
5	Water Reticulation and Reservoir	Pipeline Works RC elevated water tank RC ground water tank Suction tank Pump House Quarters Class G
6	Miscellaneous Cost	IP Surveillance System ICT Infrastructure Electrical Infrastructure Electrical Infrastructure for Upgrading Works Cable trench Landscape Electrical Infrastructure Environmental Protection Works Centralised Labour Quarters (CLQ) Temporary Park and Ride Facilities
7	Hardscape and Softscape	Within Main Infrastructure including maintenance Within Open Space including maintenance Within Overhead Bridges, River and Natural Streams
8	Work Outside Boundary	Diamond Interchange Underpass, Diamond Interchange Connecting road and road widening including Electrical Infrastructure Relocation of Services

EXECUTIVE SUMMARY OF THE QS REPORT (Cont'd)

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 6** as follows:-

Table 6:- GDC Cost Element

Item	Item Description	Remarks
1	Primary and Secondary Infrastructure Cost	<i>Calculated by PCM by measuring approximate basic quantities from the Master Layout Plan Drawings provided by MRGB and by applying unit rate pricing of similar construction components inclusive of contingency allowance to cater for unseen factors at this preliminary stage and other acceptable yardstick as per industry's practise.</i>
2	Work Outside Boundary	<i>Calculated by PCM. Based on assumptions and acceptable yardstick as per industry's practise.</i>
3	Preliminaries	<i>Percentile of 6.70% provided by MRGB but calculated by PCM</i>
4	Contingencies	<i>There are 2 (two) contingency items which are provided by MRGB to be incorporated. General Contingency and Step-In Contingency is 10% and 2% of Construction Cost ("CC") respectively</i>
5	Professional and Management Fees	<i>Percentile factor provided by MRGB as illustrated in Table 2 inclusive of Project Supervision Cost. Project Supervision Cost is allowed to cater for Consultant's Site Representatives.</i>
6	Authority and Statutory Cost	<i>Provided by PCM which is calculated based on assumptions, comparable and guidelines by relevant Authorities.</i>

EXECUTIVE SUMMARY OF THE QS REPORT (Cont'd)

1.5 GDC

Table 7:- Summary of Gross Development Cost

Item Description	Total Amount (RM)	Remarks
a. Primary and Secondary Infrastructure	1,228,557,850.00	Provided by PCM. Refer Table 8 for breakdown.
b. Work Outside Boundary	208,686,200.00	Provided by PCM. Refer Table 9 for breakdown,
c. Preliminaries	96,295,400.00	Percentile 6.70% provided by MRCB. Calculated by PCM from total of Item a and Item b.
Sub-Total For Construction Cost ("CC")(Item a+b+c)	1,533,539,450.00	
d. General Contingencies 10% of "CC"	153,353,945.00	Percentile provided by MRCB. Calculated by PCM
e. Step-In Contingencies 2% of "CC"	30,670,789.00	Percentile provided by MRCB. Calculated by PCM
f. TOTAL CONSTRUCTION COST ["TCC"]	1,717,564,184.00	
g. Professional and Management Fees for Consultants including Project Supervision Cost	130,825,200.00	Percentile provided by MRCB and calculated by PCM
h. Authority and Statutory Cost	504,743,080.00	Provided by PCM. Refer Table 10
TOTAL DEVELOPMENT COST ("DC")	2,353,132,464.00	
i. Reimbursable Cost	68,702,567.00	Provided by PCM. Refer Table 11
TOTAL GROSS DEVELOPMENT COST ("GDC")	2,421,835,031.00	

Note: The estimation of GDC excludes Financing Cost and inflationary impact

EXECUTIVE SUMMARY OF THE QS REPORT (Cont'd)

Table 8: Breakdown of Primary and Secondary Infrastructure Cost

Item	Cost Element	Amount [RM]
1	Temporary Works	80,775,150.00
2	Roadworks and Bridges	286,602,000.00
3	Drainage Works	166,479,000.00
4	Sewerage Reticulation and STP	170,692,300.00
5	Water Reticulation and Reservoir	143,172,100.00
6	Miscellaneous Cost	276,635,300.00
7	Hardscape and Softscape	104,202,000.00
	TOTAL FOR PRIMARY AND SECONDARY INFRASTRUCTURE	1,228,557,850.00

Table 9: Breakdown of Work outside Boundary

Item	Infrastructure Element	Amount [RM]
1	Diamond Interchange	76,300,000.00
2	Underpass Diamond Interchange	30,520,000.00
3	Overhead Bridge	31,610,000.00
4	Connecting Road and Road Widening including Electrical Infrastructure	28,340,000.00
5	Relocation of Services	41,916,200.00
	TOTAL FOR WORK OUTSIDE BOUNDARY	208,686,200.00

EXECUTIVE SUMMARY OF THE QS REPORT (Cont'd)

Table 10: Breakdown of Authority and Statutory Cost

Item	Infrastructure Element	Amount [RM]
1	Planning Fees, Submission Fees and Deposit	26,950,000.00
2	Pre-Computation Plan Submission and Alienation	303,066,080.00
3	Accessibility – Road Connection Charges	3,000,000.00
4	Statutory Contribution Fees	171,727,000.00
TOTAL FOR AUTHORITY AND STATUTORY COST		504,743,080.00

EXECUTIVE SUMMARY OF THE QS REPORT (Cont'd)

1.6 REIMBURSABLE COST ELEMENTS

1.6.1 In computing the reimbursable cost, MRCB provided the percentile 4% of "TCC" and the pertinent cost elements which are illustrated in **Table 11** as follows:-

Table 11:- Reimbursable Cost Element

Item	Item Description	Remarks
1	Staff Salaries	MRCB provided the designation and the number of personnel. PCM will then calculate the staffing cost based on the prevailing market rate inclusive of Statutory Requirements like EPF and SOCSO contribution. A multiplier is also applied to cater for other incidental staffing cost. The tenure for the staff appointment is seven (7) years with 6% increment annually.
2	Travel expenses (save for daily commute cost and expenses)	Items provided by MRCB and calculated by PCM. Based on assumptions for three (3) personnel for a five (5) days trip with two (2) trips per year for the whole seven (7) years tenure inclusive of flight tickets, lodging and subsistence allowance.
3	Software cost	No information provided by MRCB for this element. PCM has the liberty to assume the software required will be a planning and project management software and accounting software with cost allocated for purchase and licensing.

After taking into account all those cost elements, the estimated Reimbursable Cost Element will be generated following the methodology and guidelines outlined.

For the final outcome, please refer **Table 12** for the Cost Summary of Reimbursable Cost Elements

Table 12:- Summary of Cost – Reimbursable Cost Elements

Item Description	Total Amount (RM)	Remarks
a. Staff Salaries	66,636,000.00	<i>Calculated by PCM. The amount is budgeted for 30 numbers of staff strength inclusive of EPF and SOCSO provisions. Multiplier factors are also imposed to cater for other staff incidental cost.</i>
b. Travel expenses (save for daily commute cost and expenses)	918,362.00	<i>Calculated by PCM. The amount is budgeted for three (3) pax travelling for 5 days minimum with 2 trips planned a year for 7 years tenure.</i>
c. Software cost	1,148,205.00	<i>Calculated by PCM. The amount is budgeted for purchasing and maintaining the license.</i>
TOTAL ESTIMATED REIMBURSABLE COST ELEMENTS	68,702,567.00	

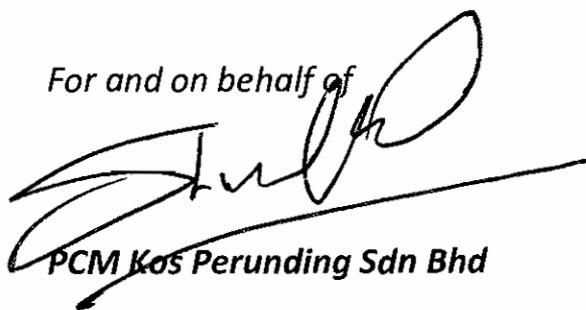
Note: The estimation of Reimbursable Cost excludes Financing Cost and inflationary impact.

EXECUTIVE SUMMARY OF THE QS REPORT (Cont'd)

1.7 CONCLUSION

- 1.7.1 **Total estimated GDC inclusive of Reimbursable Cost is RM2, 421,835,031.00, as shown in Table 7, Page 8 with unit rate per acre of RM1, 550,694.55**
- 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 *For Reimbursable Cost, we are also in the opinion that the percentile factor provided by MRCB which is 4% of "TCC" (RM68, 702,567.00) to be adequate.*
- 1.6.4 *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 seven (7) 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.*
- 1.6.5 *Notwithstanding, we further opined that the impact on costs can be appropriately mitigated by cautious and vigilant management on design strategies and costs planning as the designs are further developed.*

For and on behalf of



PCM Kos Perunding Sdn Bhd



FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

Parts C and D of this Circular have been seen and approved by your Board who collectively and individually accept full responsibility for the accuracy and completeness 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 KLSB has been obtained from publicly available documents (where available) and other information/ documents provided by its directors/ management. The sole responsibility of your Board has been to ensure that the information in relation to KLSB has been accurately reproduced.

2. CONSENTS

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

3. DECLARATIONS OF CONFLICT OF INTEREST**3.1 RHB Investment Bank**

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

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

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 Bank. Nevertheless, he does not hold any directorships in either RHB Bank or RHB Investment Bank. In view of his role as a non-executive director, he is also not involved in the day-to-day operations of RHB Islamic Bank Berhad and RHB Insurance Berhad.

As at LPD, the RHB Banking Group have extended various credit facilities amounting to approximately RM1,590 million (with an amount of approximately RM738.58 million outstanding) to our Group. Such credit facilities represent approximately 0.69% of the audited total assets of RHB Banking Group as at 31 December 2015 of approximately RM230,717.67 million.

Notwithstanding the aforesaid, RHB Investment Bank confirms that no conflict of interest situation exists or is likely to exist by virtue of RHB Investment Bank's appointment as the Principal Adviser for the Proposed PDP Contract on the basis that:-

- (a) The above credit facilities are provided by RHB Banking Group on an arms' length basis and in the ordinary course of its business;

FURTHER INFORMATION (Cont'd)

- (b) the corporate finance division of RHB Investment Bank is required under its investment banking license to comply with strict policies and guidelines issued by the Securities Commission Malaysia, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, among others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations. Further, the appointment of RHB Investment Bank as Principal Adviser in relation to the Proposed PDP Contract is in the ordinary course of its business as a licensed investment bank;
- (c) the conduct of RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, the Capital Markets and Services Act, 2007 and RHB Banking Group's own internal controls and checks; and
- (d) RHB Investment Bank does not receive or derive any financial interest or benefit from the Proposed PDP Contract, save for the professional fees as the Principal Adviser for the Proposed PDP Contract.

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 PDP Contract.

3.3 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 PDP Contract.

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	101,490

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)
Performance guarantees extended to third parties	257,616

FURTHER INFORMATION (Cont'd)

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, 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 2014 and 31 December 2015 and the latest unaudited consolidated financial statements for the six (6)-month financial period ended 30 June 2016;
- (iii) the QS Report, together with the Executive Summary of the QS Report referred to in Appendix C(I) of Part C of this Circular;
- (iv) the PDP Agreement; and
- (v) the letters of consent referred to in Section 2 above.

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PART D

**IAL TO THE NON-INTERESTED DIRECTORS AND NON-INTERESTED SHAREHOLDERS OF
MRCB IN RELATION TO THE PROPOSED PDP CONTRACT**

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 Investment Bank, being the Independent Adviser for the Proposed PDP Contract. 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 Investment Bank as the Independent Adviser to provide the non-interested shareholders of MRCB with an independent evaluation of the Proposed PDP Contract 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 PDP Contract at the forthcoming EGM of MRCB.

1. INTRODUCTION

On 26 May 2016, RHB Investment Bank had, on behalf of the Board, announced that MRCB Builders, a wholly-owned subsidiary of MRCB, had entered into a project delivery partner agreement with KLSB, whereby KLSB has appointed MRCB Builders as a PDP in connection with the construction and completion of common infrastructure for the Majlis Bandaraya Petaling Jaya area at the proposed Kwasa Damansara Township located on a piece of land (formerly known as Rubber Research Institute Malaysia land) in Sungai Buloh measuring approximately 2,330.42 acres, for a provisional fee of RM112.28 million (excluding 6% GST and reimbursable costs).

In view of the interests of the Interested Directors and Interested Major Shareholder as set out in Section 9 of Part C of the Circular, the Proposed PDP Contract is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, the Board had appointed Kenanga Investment Bank on 22 April 2016 as the Independent Adviser to advise the non-interested directors and non-interested shareholders of MRCB in respect of the Proposed PDP Contract.

2. EVALUATION OF THE PROPOSED PDP CONTRACT

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

Section in the IAL	Area of evaluation	Kenanga Investment Bank's comments
Section 6.1	Rationale for the Proposed PDP Contract	<p>We are of the view that the Proposed PDP Contract is in the ordinary course of business of MRCB Builders and the PDP Contract is expected to contribute to the MRCB Group's earnings with the Provisional PDP Fees of approximately RM112.28 million. As such we are of the view that the rationale for the Proposed PDP Contract is fair and reasonable.</p> <p>Please refer to Section 6.1 of this IAL for further details.</p>
Section 6.2	Salient terms of the PDP Agreement	<p>We are of the view that the salient terms of the PDP Agreement are fair and reasonable and the terms and conditions set out in the PDP Agreement are similar to the previous contracts entered into by the MRCB Group.</p> <p>Please refer to Section 6.2 of this IAL for further details.</p>

Section in the IAL	Area of evaluation	Kenanga Investment Bank's comments
Section 6.3	Financial Evaluation of the Proposed PDP Contract	<p>We note that the PDP Fee based on 5% of the Development Cost payable to MRCB Builders may potentially be higher than the RM112.28 million as set out in the PDP Agreement. Also, we note that the basis of PDP Fees of 5% of the Development Cost is similar to the service fees provided in the Project C8 Management Contract. Therefore, we are of the view that the PDP Fees of 5% of the Development Cost is fair and reasonable.</p> <p>Please refer to Section 6.3 of this IAL for further details.</p>
Section 6.4	Financial effects of the Proposed PDP Contract	<p>The Proposed PDP Contract will not have any effect on the share capital and substantial shareholders' shareholdings of MRCB. In addition, the Proposed PDP Contract is not expected to have any immediate effect on the NA per share, gearing, earnings and EPS of MRCB for the FYE 31 December 2016. However, the Proposed PDP Contract is expected to contribute positively to the earnings of MRCB over the estimated contract period of seven years. Thus, we are of the view that the Proposed PDP Contract is fair and reasonable.</p> <p>Please refer to Section 6.4 of this IAL for further details.</p>
Section 6.5	Risk factors for the Proposed PDP Contract	<p>The key risk factors of the Proposed PDP Contract have been considered and are not expected to significantly alter the business risk profile of the MRCB Group. Thus, we are of the view that the Proposed PDP Contract is fair and reasonable.</p> <p>Please refer to Section 6.5 of this IAL for further details.</p>
Section 6.6	Overview and Prospects of the Malaysian Economy and Construction Industry	<p>The Malaysian economy and the construction sector remained resilient with the property market activities in the Klang Valley is expected to remain robust. The Proposed PDP Contract allows the MRCB Group to strengthen its position in the engineering and construction industry and may provide future opportunity for the Company to participate in the various upcoming developments in Klang Valley. Thus, we are of the view that the Proposed PDP Contract is fair and reasonable.</p> <p>Please refer to Section 6.6 of this IAL for further details.</p>

3. CONCLUSION AND RECOMMENDATION

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

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

- (i) the Proposed PDP Contract is in the ordinary course of MRCB Builders' business and the Group possesses the requisite experience and expertise to undertake the Proposed PDP Contract. In addition, the Proposed PDP Contract is also expected to contribute positively to the earnings of the MRCB Group over the contract period;
- (ii) the salient terms of the PDP Agreement are fair and reasonable and not detrimental to the non-interested shareholders of MRCB. In addition, the general conditions of the PDP Agreements are similar to the terms adopted by MRCB Group in previous contracts such as the Project C8 Management Contract;
- (iii) the basis of the PDP Fee has been fixed at 5% of the Development Cost as set out in the PDP Agreement and it is similar to the rates charged by MRCB under the Project C8 Management Contract for the similar services provided. Furthermore, we note that the Development Cost estimated by the QS is higher than the provisional Development Cost provided in the PDP Agreement and thus the PDP Fee payable to MRCB Builders may potentially be higher than the provisional PDP Fee of RM112.28 million as set out in the PDP Agreement. Therefore, we are of the view that the provisional PDP Fee is fair and reasonable;
- (iv) the Proposed PDP Contract will not have any effect on the share capital and substantial shareholders' shareholdings of MRCB. In addition, the Proposed PDP Contract 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 2016;
- (v) the risk factors as set out in Section 5 of Part C of the Circular are not expected to significantly alter the business risk profile of the MRCB Group. Nonetheless, no assurance can be given that the risks will not crystallise and give rise to material and adverse impact on the business of the MRCB Group, its competitiveness, financial performance/position or prospects thereon; and
- (vi) the Malaysian economy and the construction sector remained resilient with the property market activities in the Klang Valley is expected to remain robust. The Proposed PDP Contract and the Group's involvement in a large scaled development such as the Kwasa Damansara Township will allow the MRCB Group to strengthen its position in the engineering and construction industry and may provide future opportunity for the Company to participate in the various upcoming developments in Klang Valley.

Premised on the above and on an overall basis, we are of the opinion that the Proposed PDP Contract 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 PDP Contract to be tabled at MRCB's forthcoming EGM.

15 November 2016

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 PDP CONTRACT

This Independent Advice Letter (“IAL”) is prepared for the inclusion in the circular to the shareholders of MRCB dated 15 November 2016 in relation to the Proposed PDP Contract (“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 26 May 2016, RHB Investment Bank had, on behalf of the Board, announced that MRCB Builders, a wholly-owned subsidiary of MRCB, had entered into a project delivery partner agreement with KLSB, whereby KLSB has appointed MRCB Builders as a PDP in connection with the construction and completion of common infrastructure for the Majlis Bandaraya Petaling Jaya area at the proposed Kwasa Damansara Township located on a piece of land (formerly known as Rubber Research Institute Malaysia land) in Sungai Buloh measuring approximately 2,330.42 acres, for a provisional fee of RM112.28 million (excluding 6% GST and reimbursable costs).

In view of the interests of the Interested Directors and Interested Major Shareholder as set out in Section 9 of Part C of the Circular, the Proposed PDP Contract is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, the Board had appointed Kenanga Investment Bank on 22 April 2016 as the Independent Adviser to advise the non-interested directors and non-interested shareholders of MRCB in respect of the Proposed PDP Contract.

The purpose of this IAL is to provide you with our independent opinion as to whether the terms of the PDP Agreement are fair and reasonable and whether the Proposed PDP Contract 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 PDP Contract 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 C 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 PDP CONTRACT 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 PDP CONTRACT

The Employer, KLSB, is undertaking the construction and completion of the common infrastructure including the common roads, drainage system, waterworks, telecommunication, sewerage and mechanical and electrical infrastructure for the Majlis Bandaraya Petaling Jaya area of the proposed Kwasa Damansara Township and has appointed MRCB Builders as the PDP for the Project.

The total provisional GDC to be incurred by KLSB for the Project as stated in the PDP Agreement amounts to approximately RM2.3 billion, which comprises a provisional Development Cost of approximately RM2.25 billion and reimbursables of RM0.06 billion. The provisional GDC was arrived at based on the preliminary master plan for the Project.

Pursuant to the terms and conditions of the PDP Agreement, MRCB Builders' role as the PDP for the Project shall entail managing the approval processes from the relevant authority, managing the Design Consultants as well as project management services in relation to the design process, procurement and construction of the Project, contract administration as well as testing and commissioning by the respective Works Package Contractors.

In consideration for the provision of the Services by MRCB Builders, the Employer shall pay to MRCB Builders the provisional PDP Fees of RM112.28 million, which represents 5% of the Development Cost of the Project, excluding GST and the Reimbursables.

Further details of the Proposed PDP Contract are set out in Section 2 of Part C of the Circular.

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

Save as disclosed below and as set out in Section 9 of Part C 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 PDP Contract.

EPF is a major shareholder of MRCB and the sole shareholder of KLSB. Hence, EPF is deemed interested in the Proposed PDP Contract and will abstain from voting in respect of its direct and/or indirect interest in MRCB on the ordinary resolution pertaining to the Proposed PDP Contract 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 ordinary resolution pertaining to the said Proposed PDP Contract to be tabled at the forthcoming EGM.

Datuk Shahril Ridza Ridzuan, a Non-Independent Non-Executive Director of MRCB, is 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 PDP Contract. Accordingly, the Interested Directors have abstained and will continue to abstain from all Board deliberations and voting in respect of the Proposed PDP Contract. The Interested Directors will also abstain from voting in respect of their direct and/or indirect interest in MRCB on the ordinary resolution pertaining to the Proposed PDP Contract 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 ordinary resolution pertaining to the Proposed PDP Contract 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	%
<u>Interested Major Shareholder</u>				
EPF	722,457,897	34.73	-	-
<u>Interested Directors</u>				
Tan Sri Azlan Zainol	120,000	*	30,000 ⁽¹⁾	*
Datuk Shahril Ridza Ridzuan	500,000	0.02	-	-
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.*

4. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED PDP CONTRACT

Kenanga Investment Bank was not involved in any formulation or any deliberation and negotiation on the terms and conditions of the Proposed PDP Contract. 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 Investment Bank's scope as Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposed PDP Contract 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 C of the Circular and the appendices attached thereto;
- The PDP Agreement;
- The QS 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 PDP Contract 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.

If circumstances require, a supplementary IAL will be sent to the non-interested shareholders of MRCB to immediately notify you of any material change in our recommendation or the accuracy or the completeness of the information contained in this IAL.

Kenanga

Our scope as Independent Adviser is limited to expression of an independent opinion on the Proposed PDP Contract. 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 PDP Contract and whether the Proposed PDP Contract 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 PDP Contract 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 PDP Contract 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.

This IAL 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 MRCB 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. Your Board further acknowledges the opinion expressed by Kenanga Investment Bank in this IAL.

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 PDP Contract.

Save as disclosed below and the PDP Contract, we have not advised MRCB in the capacity of principal adviser nor independent adviser for any corporate exercise within the past two years preceding the LPD other than the following:

- independent adviser to the 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 for a provisional total contact sum of RM3,145,493,294 payable in cash, which was set out in the circular dated 4 December 2015 ("**Project C8 Management Contract**").

Kenanga Investment Bank 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 Investment Bank is an approved corporate finance adviser within the meaning of the Principal Adviser Guidelines issued by the Securities Commission Malaysia.

Kenanga

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

- (i) Kenanga Investment Bank's IAL dated 26 September 2016 pertaining to the proposed acquisition by Sarawak Oil Palms Berhad of the entire equity interest in the issued and paid-up share capital of Shin Yang Oil Palm (Sarawak) Sdn Bhd ("**SYOP**") from Shin Yang Holding Sdn Bhd ("**SYHSB**") and assumption of the inter-company balances owing by SYOP to Shin Yang Forestry Sdn Bhd, a separate wholly-owned subsidiary of SYHSB, all for a total cash consideration of RM873,005,875.
- (ii) Kenanga Investment Bank's IAL dated 19 July 2016 pertaining to the:
 - (a) POS Malaysia Berhad ("**POS Malaysia**") proposed acquisition of the following:
 - 1) the entire issued and paid-up share capital of KL Airport Services Sdn Bhd from HICOM Holdings Berhad, a wholly-owned subsidiary of DRB-HICOM Berhad ("**DRB-HICOM**"), for a purchase consideration of RM749.35 million; and
 - 2) part of a parcel of industrial land situated in Section 28, Shah Alam, Selangor Darul Ehsan from HICOM Indungan Sdn Bhd, an indirect wholly-owned subsidiary of DRB-HICOM, for a purchase consideration of RM69.0 million.
 - (b) proposed exemption under paragraph 16.1(a) of the practice note 9 of the code for DRB-HICOM and persons acting in concert with it under the code, from the obligation to undertake a mandatory take-over offer to acquire the remaining ordinary shares of RM0.50 each in POS Malaysia not already owned by them upon completion of the proposed acquisition.
- (iii) Kenanga Investment Bank's IAL dated 25 April 2016 pertaining to the:
 - (a) proposed disposal of Taliworks Corporation Berhad's ("**TCB**") entire investment in the People's Republic of China comprising:
 - 1) the entire equity interest held in Taliworks International Limited ("**TIL**");
 - 2) 80% equity interest held in Taliworks (Sichuan) Limited ("**TSL**");
 - 3) The entire equity interest held in SWM Technologies (Malaysia) Sdn Bhd; and
 - 4) The assignment from TCB to the LGB Group (HK) Limited of all outstanding shareholders' loans and/or shareholders' advances owing by TIL and TSL to TCBfor an aggregate cash consideration of USD54.6 million; and
 - (b) the proposed acquisition of 45% of the issued and paid-up ordinary shares in SWM Environment Holdings Sdn Bhd for a cash consideration of RM245.0 million.
- (iv) Kenanga Investment Bank's IAL dated 20 January 2016 pertaining to the:
 - (a) renounceable rights issue of new ordinary shares of RM1.00 each in Mega First Corporation Berhad ("**MFCB**") ("**MFCB Shares**") together with free detachable warrants ("**Warrants**") to raise gross proceeds of up to RM250.0 million; and
 - (b) exemptions to Goh Nan Kioh ("**GNK**") and persons acting in concert with him ("**PACs**") from the obligation to undertake a mandatory take-over offer for all MFCB Shares and Warrants not held by GNK and his PACs under Paragraphs 16.1(b) and 16.1(c) of the Practice Note 9 of the Malaysian Code on Take-Overs and Mergers, 2010;

Kenanga

- (v) Kenanga Investment Bank's Independent Advice Circular dated 28 December 2015 to the shareholders of NCB Holdings Berhad ("**NCB**") in relation to the unconditional take-over offer by MMC Port Holdings Sdn Bhd ("**Offeror**") through RHB Investment Bank Berhad to acquire all the remaining ordinary shares of RM1.00 each in NCB not already owned by the Offeror ("**Offer Share(s)**") for a cash offer price of RM4.40 per Offer Share;
- (vi) Kenanga Investment Bank's IAL dated 18 December 2015 pertaining to the:
 - (a) acquisition of the entire issued and paid-up ordinary share capital in Mayang Development Sdn Bhd ("**MDSB**") and proposed subscription of new redeemable non-cumulative preference shares-class B in MDSB for a total consideration of RM1,559.77 million; and
 - (b) acquisition of the entire issued and paid-up ordinary share capital in Nusa Properties Sdn Bhd ("**Nusa**") and proposed subscription of new redeemable non-cumulative preference shares-class B in Nusa for a total consideration of RM368.45 million;
- (vii) Kenanga Investment Bank's IAL dated 4 December 2015 to the non-interested shareholders of MRCB pertaining to the management contract between 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 for a provisional total contract sum of RM3,145,493,294 payable in cash; and
- (viii) Kenanga Investment Bank's IAL dated 16 November 2015 pertaining to the:
 - (a) investment in Ceres Hotels Private Limited; and
 - (b) diversification of the existing principal activities of Metrod Holdings Berhad and its subsidiary companies to include hotel operation activities;

Premised on the foregoing, Kenanga Investment Bank 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 PDP Contract and able to discharge our duties and responsibilities therein.

6. EVALUATION OF THE PROPOSED PDP CONTRACT

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

- (a) Rationale for the Proposed PDP Contract;
- (b) Salient terms of the PDP Agreement;
- (c) Financial Evaluation of the Proposed PDP Contract;
- (d) Financial effects of the Proposed PDP Contract;
- (e) Risk factors for the Proposed PDP Contract; and
- (f) Overview and Prospects of the Malaysian Economy and Construction Industry.

6.1 Rationale for the Proposed PDP Contract

We have considered the rationale disclosed in Section 4 of Part C of this Circular as below:

The Proposed PDP Contract, which is in the ordinary course of business of MRCB Group, will further enhance our Group's track record and involvement in large scale infrastructure construction and development projects. The Proposed PDP Contract will not only enhance the visibility of MRCB Group via its involvement with the Kwasa Damansara Township but is also expected to provide our Group with a steady stream of income and contribute positively to our Company's future earnings over the expected duration of the Project up to the end of year 2023, which bodes well for the shareholders of our Company.

Kenanga Investment Bank's view

We note that the Proposed PDP Contract is in the ordinary course of business of MRCB Builders and is expected to contribute positively to the Group's earnings with the provisional PDP Fees of approximately RM112.28 million over the estimated contract period of seven years. The provisional PDP Fees of approximately RM112.28 million represents approximately 6.6% of the Group's revenue of RM1,696.73 million in FYE 31 December 2015 and approximately 23.4% (assuming PDP Fees of RM85.33 million after applying a corporate tax rate of 24% on the provisional PDP Fees of RM112.28 million) of the Group's profit after tax of RM364.03 million in FYE 31 December 2015.

Additionally, the Group possesses the requisite experience and expertise to undertake the Proposed PDP Contract, given that the services provided under the PDP Agreement forms part of the existing core business of the MRCB Group, namely engineering and construction.

We also note that the Proposed PDP Contract forms part of the Kwasa Damansara development, a large scale mixed development comprising approximately 2,330 acres of land with an estimated gross development value of RM50.0 billion over the next twenty years. The undertaking of the Proposed PDP Contract in such a large scale project will further enhance the Group's reputation and track record as one of the major players in the Malaysian engineering and construction industry.

Additionally, the PDP Agreement together with the Project C8 Management Contract entered into by MRCB Group in 2015 will increase the Group's visibility in the Kwasa Damansara development and may provide further opportunities for the Group to bid and secure future projects from KLSB in the Kwasa Damansara development.

For information purpose, MRCB Group's role in the Project C8 Management Contract includes the following:

- i. Provide engineering, procurement, management, construction and commissioning of the works ("EPCC Services");
- ii. Construct financial models for the purpose of the feasibility study and as a basis for planning the project development to meet the employer's objectives for the development ("Financial Modelling Services"); and
- iii. Provide sales and marketing consultancy for the en bloc lease of the retail, hotel and office buildings of the development ("Sales and Marketing Services").

In contrast, the roles to be undertaken by MRCB Builders under the Proposed PDP Contract is mainly to supervise and manage the contractors appointed to carry out the Works on the Project, with the aim of ensuring the delivery of the Project within an agreed schedule and costs in accordance to the terms of the PDP Agreement. MRCB Builders does not undertake any EPCC Services, Financial Modelling Services and Sales and Marketing Services under the Proposed PDP Contract. Please refer to Section 6.2 of this IAL for further details.

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6.2 Salient terms of the PDP Agreement

The salient terms as extracted from the PDP Agreement and our comments thereon are as follows:

Salient Terms of the PDP Agreement	Kenanga Investment Bank's comments
<p><u>Condition Precedent</u></p> <p><i>The PDP Agreement is conditional upon MRCB obtaining its shareholders' approval of the PDP Agreement on or before the expiry of 9 months from the date of the PDP Agreement ("Cut-off Date"). The condition precedent shall be fulfilled upon the PDP giving notice to the Employer that such approval has been obtained.</i></p> <p><i>If such approval is not obtained by the Cut-Off Date, then the PDP Agreement shall automatically terminate and the Parties shall have no claim whatsoever against the other on any matter in respect of, or arising from, the PDP Agreement.</i></p> <p><i>The date when the condition precedent is fulfilled shall be the date when the PDP Agreement becomes unconditional.</i></p>	<p>This term is reasonable as it relates to the approval required for the Proposed PDP Contract and it provides a reasonable timeframe for MRCB to fulfil this condition precedent.</p> <p>In addition, as the PDP Agreement is conditional upon MRCB obtaining its shareholders' approval, we note that this clause ensures that MRCB will not be subject to any claims by KLSB in the event the said approval is not obtained.</p> <p>This condition precedent is a common regulatory requirement for agreements entered into by the Company which requires shareholders' approval.</p>
<p><u>Provision of the Services by MRCB Builders</u></p> <p><i>The services to be provided by MRCB Builders under the PDP Agreement include, but not limited to the following:</i></p> <p>(a) Project Management</p> <p>(i) <i>The PDP shall develop and monitor the compliance of the overall Master Implementation Programme ("MIP") over the estimated MIP timeframe of seven years;</i></p> <p>(ii) <i>The PDP shall facilitate the preparation of the detail design and specification which are to be prepared by the appointed Design Consultants for all Work Package Contracts;</i></p> <p>(iii) <i>The PDP shall monitor and report on the progress of the Work in accordance with the MIP, and where appropriate, provide suggestions on the sequence and duration of activities to meet the MIP;</i></p> <p>(iv) <i>The PDP shall provide contract administration works for the Project including carrying out cost estimates, implementation and construction programmes, risk management plans, administrating the Work Package Contractors and managing all matters as may be necessary and expeditious for the delivery of the Project;</i></p> <p>(v) <i>The PDP shall carry out cost planning, budgeting, estimating, forecasting, reporting, managing and controlling of all the costs, expenses and liabilities associated with and arising from the management of the planning, design, procurement, construction and commissioning process of the Project;</i></p> <p>(vi) <i>The PDP shall be responsible for monitoring all costs of the Services and the Works and providing the Employer with sufficient information as to enable the Employer to monitor the costs of the Works against the Development Cost; and</i></p>	<p>We note that MRCB Builders' role as the PDP for the Project shall include monitoring the progress of the Works and monitor the cost of the Works and Services to ensure that the Project is completed in accordance to the MIP's timeframe of seven years and the cost of Projects are kept within the Development Cost.</p> <p>We note that the development cost for the Project of RM2.25 billion (excluding 6% GST and the Reimbursables) and the MIP period of seven years are provisional at this juncture as it is subject to changes depending on the finalisation of the detail design and specification for the Project.</p> <p>The Project Management services to be provided by MRCB Builders in accordance to the PDP Agreement are in the ordinary course of business of MRCB Builders.</p>

Salient Terms of the PDP Agreement	Kenanga Investment Bank's comments
<p>(a) Project Management (cont'd)</p> <p>(vii) <i>The PDP shall regularly review the utilisation of the contingency with the Employer's representative and inform the Employer's representative if it becomes aware of any likely or actual cost over-runs on the Development Cost and contingency.</i></p>	<p>Please refer to the preceding paragraph.</p>
<p>(b) Management of the Works Package Contractors</p> <p>(i) <i>The terms and conditions of the Works Package Contracts shall be subject to the approval of the Employer.</i></p> <p>(ii) <i>The PDP shall prepare pre-qualification documents, tender documents, engineering drawings and calling of tenders from a list of tenderers to be approved by the Employer and recommendation of tenders, and subsequently advising the Employer in the award of the relevant Works Package Contracts to the successful tenderer which are subjected to the Employers' approval;</i></p> <p>(iii) <i>In the event the Employer does not award a tender package to any of the tenderers recommended by the PDP, the Employer agrees and releases the PDP from all liability for any damage or losses arising from the work product, negligence or actions of the appointed tenderer.</i></p> <p>(iv) <i>The Employer shall make payment of all sums due to the Works Package Contractor pursuant to the relevant Works Package Contract and the Works Package Contractor will not make any claims for payment from the PDP under the Works Package Contract;</i></p> <p>(v) <i>In the event that the PDP's Services are terminated the Employer shall issue a notice to the relevant Works Package Contractors stating that the Employer shall take over all roles and functions of the PDP with effect from a stated date;</i></p> <p>(vi) <i>The termination clause of the Works Package Contractors are as follows:</i></p> <ul style="list-style-type: none"> • <i>The Employer shall, upon advice of the PDP, give written notice to any Works Package Contractor specifying any default, and requiring that Works Package Contractor to remedy such default within 30 days of the receipt of the default notice or such other longer period as the Employer may provide for or agree to extend. If that Works Package Contractor fails to remedy the breach within such period, the Employer shall have the right, to terminate the appointment of that Works Package Contractor under the relevant Works Package Contract by giving a written notice to that effect;</i> 	<p>The management of the Works Package Contractors to be provided by MRCB Builders in accordance to the PDP Agreement is in the ordinary course of business of MRCB Builders.</p> <p>The Parties to each Works Package Contract shall consist of the Employer, the PDP and the respective Works Package Contractor. We note that MRCB Builders as the PDP for the Project is only responsible for the management of the Works Package Contractor. However any sum due to the Works Package Contractor will be borne by the Employer and no claims for payment can be made from MRCB Builders.</p> <p>In addition, in the event the PDP Agreement is terminated, KLSB shall take over the roles and function of the PDP for the Project. Thus, MRCB Builders will have no continual obligation to the Employer in relation to the respective Works Package Contracts.</p> <p>Additionally the clause also provides the PDP flexibility to carry out and complete the Works or any part of it on its own or recommend any other contractor, in the event of termination of the Works Package Contractor. Thus the PDP will be able manage and deliver the Works within the MIP's timeframe as set out in the PDP Agreement.</p>

Salient Terms of the PDP Agreement	Kenanga Investment Bank's comments
<p>(b) Management of the Works Package Contractors (cont'd)</p> <ul style="list-style-type: none"> • The PDP may, after consultation and with the prior written approval of the Employer, increase or deploy manpower and resources to take such other measures as determined by the PDP to be necessary to carry out and complete the Works and such action may be taken by the PDP prior to any termination of the Works; • Upon the Works Package Contractor's termination, the PDP shall either step in, carry out and complete the Works or any part thereof on its own or award any other Person to carry out and complete the Works. In the event the PDP intends to award any other Person to carry out and complete the Works, the PDP shall submit two quotations from two distinct and separate Persons to the Employer together with the PDP's recommendation accompanied by the supporting reasons for its recommendation. In the event that the Employer does not reject or fails to respond to the PDP's recommendation within 7 days from the date of its submission, the PDP shall be entitled to proceed with the selection and appointment of the substituted Works Package Contractor to complete the Works or if the PDP were to complete the Works on its own, the PDP shall do the same at the lowest price among the two quotations; and • Any costs incurred by the PDP arising from any Act of Intervention including the additional cost of completing the Works, shall be paid from the Step-In Contingency component of the Contingency subject to compliance with the provisions of clause as set out in the PDP Agreement. <p>(vii) Managing the testing and commissioning activities and ensuring the proper integration of the Works being performed by the respective Works Package Contractors so as to ensure system wide integration of a fully commissioned and operational Infrastructure, to be in accordance with the PDP Agreement.</p> <p>(c) Approval facilitation</p> <p>The PDP shall assist in managing the preparation process for the applications (including all necessary documents to be included with such applications) for approvals required in the name of the Employer to enable the Employer (or if directed by the Employer, the PDP) to submit such application and using its best endeavours to follow up on such applications to obtain the timely issuance of the relevant approvals.</p>	<p>We note that in the event the PDP is to carry out and complete the Works due to termination of the Works Package Contractor, the PDP shall undertake the Works at the lowest price among the 2 quotations submitted to the Employer. This is to ensure the cost of the Works to be kept within the Development Cost.</p> <p>Notwithstanding the above, the fees received by the PDP from the Works will represent an income to the PDP in addition to the provisional PDP Fees.</p> <p>The approval facilitation service to be provided by MRCB Builders under the PDP Agreement are in the ordinary course of business of MRCB Builders and is common to similar services provided by MRCB Group in previous contracts such as the Project C8 Management Contract.</p> <p>We note that MRCB Builders has the required experience to carry out the approval facilitation service and to ensure that the necessary approvals are obtained in a timely manner.</p>

Salient Terms of The PDP Agreement	Kenanga Investment Bank's comments
<p><u>PDP Fees</u></p> <p>(i) <i>The PDP Fees is calculated based on 5% of the Development Cost, exclusive of GST and the Reimbursables.</i></p> <p>(ii) <i>The claimable Development Cost shall exclude land cost, land related statutory costs, the Employer's administrative costs and interest.</i></p> <p>(iii) <i>The provisional Development Cost provided in the PDP Agreement amounts to approximately RM2.25 billion.</i></p> <p>(iv) <i>In the event that either Party considers the PDP is entitle to claim a contract variation or make a claim, the Development Cost shall be adjusted to include the cost of such contract variation and/or claim as determined in accordance with the PDP Agreement.</i></p> <p>(v) <i>10% retention shall be applied progressively to the PDP payment until the 10% retention of the PDP Fees is reached. 50% of such retention (amounting to 5% of the PDP Fees) will be released upon issuance of the certificate of practical completion and the remaining 50% of such retention (amounting to 5% of the PDP Fees) will be released upon the issuance of the relevant PDP final certificate.</i></p> <p>(vi) <i>The Parties hereby agree that the total cumulative amount of the preliminaries and the Reimbursables for the Project shall not exceed 9.61% of the total construction cost.</i></p>	<p>We note that the Development Cost is provisional at this juncture and may vary subject to further update and/or revision.</p> <p>As such, the PDP Fee of RM112.28 million (excluding GST and the Reimbursables) is only provisional at this juncture and any variation to the Development Cost will result in a corresponding variation to the PDP Fee as set out in the PDP Agreement.</p> <p>We also note that the PDP Fee rate of 5% is similar to the rates charged by MRCB Group in previous contracts for similar services provided, such as the Project C8 Management Contract.</p> <p>We further note that the retention rate of 10% provided in the PDP Agreement is reasonable and is a common clause included in agreements of such nature.</p>
<p><u>Reimbursable</u></p> <p><i>The Reimbursables shall always be to a sum exclusive of GST, which are incurred by the PDP in performing the Services and consisting the following element:</i></p> <p>(i) <i>PDP direct cost payable for PDP's employees, personnel and staff, for basic salaries together with the fixed multiplier applicable;</i></p> <p>(ii) <i>the travel expenses, for the PDP's employees, personnel and staff; and</i></p> <p>(iii) <i>the costs to acquire and install the software required by the Employer.</i></p> <p><i>The Parties hereby agree that the total cumulative amount of the preliminaries and the Reimbursables for the Project shall not exceed 9.61% of the total construction cost.</i></p> <p><i>Subject to the aforesaid clause above, the Reimbursables exclusive of GST payable shall be an estimated amount equivalent to not more than 4% of the Total Construction Costs.</i></p>	<p>The maximum Reimbursables provided in the PDP Agreement is 4% of the TCC of the Project, which amounts to approximately RM63.30 million.</p> <p>We note that the maximum Reimbursables rate of 4% is a commercially negotiated rate between the PDP and the Employer. However, we note that the QS' estimation of the reimbursables required for the Project of RM68.70 million is approximately 4% of the QS' estimated TCC. Thus the maximum Reimbursables rate of 4% of the TCC for the Project is reasonable.</p> <p>Nonetheless, we wish to highlight that the total cumulative amount of the preliminaries and the Reimbursables for the Project is capped at 9.61% of the TCC. Thus any cost overrun of the preliminaries will impact the Reimbursables rate of 4% payable by the Employer.</p> <p>Further details of the QS' estimated TCC and reimbursables are set out in Section 6.3(d) of the IAL.</p>

Salient Terms of the PDP Agreement	Kenanga Investment Bank's comments
<p><u>Contingency</u></p> <p>(a) <i>The Contingency, shall always be to a sum exclusive of GST and to be capped at 12% of the Construction Cost of the project as follows:</i></p> <p>(i) <i>General Contingency, shall be equal to 10% of the Construction Cost or the aggregate of all expended General Contingency or zero if no General Contingency has been incurred (whichever is the lowest); and</i></p> <p>(ii) <i>Step-In-Contingency shall be equal to 2% of the Construction Cost or the aggregate of all expended Step-In Contingency or zero if no Step-In Contingency has been incurred (whichever is the lowest).</i></p> <p>(b) <i>The Step-In Contingency shall be used to pay the PDP (and not as Reimbursables) for all costs ("Step-In Costs") incurred by the PDP associated with the exercise of the act of intervention unless such costs incurred by the PDP can be deducted and/or set-off from payments due to the relevant Works Package Contractor in accordance with the terms of the Works Package Contract.</i></p> <p>(c) <i>The General Contingency shall only be utilised by the PDP with the agreement of the Employer to pay for additional costs in relation to the Services and/or the Works arising from variation or changes that are demonstrated by the PDP to be necessary to complete the Project in accordance with the Employer's Requirements and the PDP Agreement.</i></p> <p>(d) <i>Utilisation of any part of the Contingency shall be subject to review and approval by the Employer.</i></p> <p>(e) <i>Unless otherwise expressly provided for in the PDP Agreement, in the event the total Contingency has been fully utilised, PDP is not entitled to claim for any extra payment whatsoever.</i></p> <p>(f) <i>Where the percentage of the Contingency (comprising of the General Contingency and the Step-in Contingency) for any Work Package Contract has been fully utilized and is subsequently exceeded, then in that event, the amount retained by the Employer from the PDP Fees in respect of the relevant Work Package Contract may be used to offset such amounts which exceed the percentage of Contingency for that Work Package Contract. For avoidance of doubt, the maximum amount to offset should not be more than 10% of the PDP fees for that respective Work Package Contract.</i></p>	<p>The contingency rate of 12% is a commercially negotiated rate between MRCB Builders and KLSB. The contingency amount of RM169.55 million provided in the PDP Agreement based on 12% of the total Construction Cost is provisional at this juncture and may vary subject to the actual Construction Cost of the Project.</p> <p>We note that the Contingency fee is additional to the Reimbursable fee of 4% of the TCC and forms part of the total Development Cost of RM2.25 billion. We also take note that based on the QS Report, the Contingency of 12% of the Construction Cost is sufficient to off-set any cost inadequacies at this juncture. Thus the Contingency rate of 12% is reasonable and not detrimental to the shareholders of MRCB.</p> <p>However we wish to highlight the contingency fee is subject to the review and approval of the Employer and the PDP is not entitled to claim for any extra payment in the event the total Contingency has been fully utilised.</p>

Salient Terms of the PDP Agreement	Kenanga Investment Bank's comments
<p><u>Payment by KLSB</u></p> <p><i>The PDP shall be entitled to submit its statement for payment of that amount of the Fee and Reimbursables plus GST (if any) monthly, and shall be supported by complete documentary evidence for such payment to enable the Employer to determine the sum due to the PDP.</i></p> <p><i>The Employer shall, within 30 days after the date of receipt of the PDP's statement for payment, determine the sum due to the PDP and issue and deliver a payment certificate (to be dated on the date of issuance and delivery) certifying the sum payable in respect of the PDP Application, taking into account any other sums, including the Mobilization Fee (to be set-off or deducted in accordance with the terms of the PDP Agreement ("PDP Payment Certificate").</i></p> <p><i>Subject to the terms of the PDP Agreement, the Employer will pay the amount certified within thirty (30) days of the issuance of the PDP Payment Certificate.</i></p> <p><i>The PDP will be paid a mobilization fee totalling to RM20.0 million (plus GST if any), which should form part of the PDP Fees in manner below:</i></p> <ul style="list-style-type: none"> <i>i) RM10mil plus GST upon the PDP Agreement become unconditional ("Effective Date")</i> <i>ii) RM5mil plus GST upon 4th month from Effective Date</i> <i>iii) RM5mil plus GST upon 7th month from Effective Date</i> 	<p>This term is reasonable as it stipulates the effective date KLSB is obligated to pay MRCB Builders for the Services rendered and the payment process for the Services rendered by MRCB Builders in relation to the Project.</p> <p>We note that MRCB Group's credit term for trade receivables for FYE 2015 range from 30 to 60 days. Hence, the 30 days credit terms from the issuance of PDP Payment Certificate and 60 days from receipt of PDP's statement for payment is reasonable as it falls within the range of MRCB Group's credit term.</p> <p>We note that the mobilisation fees of RM20.0 million payable by KLSB to MRCB Builders can be utilised by MRCB Builders to fund part of its reimbursables cost for the Project.</p> <p>The mobilisation fee of RM20.0 million is commercially negotiated between MRCB Builders and KLSB and is in line with the management's estimate of the mobilisation cost required by MRCB Builders for the Project at this juncture.</p>
<p><u>Contracts Variation</u></p> <p><i>The Employer may at any time, issue a notice to the PDP that will set out details of a proposed Contract Variation.</i></p> <p><i>If the PDP is of the reasonable opinion that implementing a Contract Variation Order would cause the PDP, the Employer or the Works Package Contractor to be in breach of any Laws, requirements of any Relevant Authority or requirements of any permits, licences and Approvals, or cause either Party to be in breach of its obligations under any provision of this Agreement, it shall promptly notify the Employer's Representative and recommend an alternative method of dealing with the required change or matter.</i></p> <p><i>Any costs incurred by the PDP in performing the Services arising out of Contract Variation Orders shall be paid by the Employer to the PDP in accordance with the PDP Agreement.</i></p>	<p>These terms are reasonable and serve to safeguard the interests of KLSB and MRCB Builders in the event of variation to the Works and Services set out in the PDP Agreement.</p> <p>We note that the contract variation clause is common to the terms of previous contracts entered into by MRCB, such as the Project C8 Management Contract.</p> <p>In the event of a variation to the contract resulting in a variance in the Development Cost, MRCB Builders will be entitled to a PDP Fee of 5% of the revised Development Cost.</p>

Salient Terms of The PDP Agreement	Kenanga Investment Bank's comments
<p><u>Liquidated Damages</u></p> <p><i>In the event there is any delay in the WPC completing the applicable Works by the completion date of the Works Package Contract (which includes any extension of time granted pursuant to the provisions of the Works Package Contract and this Agreement) due to any act or failure to act on the part of, or otherwise caused by, the PDP, the PDP shall pay the Employer liquidated and ascertained damages at the rate of 7% per annum of the PDP Fees due for the relevant Works Package Contract calculated on a daily basis for every day (or part thereof) of delay until the actual completion of the said Works Package Contract.</i></p> <p><i>The PDP's cumulative liability to pay damages under this Agreement is limited to the Liability Limit.</i></p>	<p>These terms are reasonable and the rate of 7% for liquidated damages is similar to the previous contracts entered into by the Company, such as the Project C8 Management Contract.</p> <p>We note that the liquidated damages payable by the PDP under the PDP Agreement is limited to the sum equivalent to the PDP Fees, i.e. the Liability Limit.</p>
<p><u>Termination by the Employer</u></p> <p>(a) <i>The PDP shall be in default and the Employer may terminate the appointment of the PDP under the PDP Agreement, with immediate effect if:</i></p> <ul style="list-style-type: none"> (i) <i>the PDP abandons any part of the Services except in relation to the instructions of a Relevant Authority or direction;</i> (ii) <i>the PDP assigns and/or novates this Agreement or any right or obligation in breach of this Agreement;</i> (iii) <i>the PDP is in breach of its obligations under the anti-bribery representation, warranty and covenant clause under the PDP Agreement; or</i> (iv) <i>the PDP commits a breach of any material term of the PDP Agreement and where applicable, has failed to remedy the breach in accordance with the provisions in the PDP Agreement.</i> <p>(b) <i>If the PDP suffers an event of insolvency, then the Employer shall have the right to terminate the PDP's appointment under the PDP Agreement forthwith by giving notice to that effect.</i></p> <p>(c) <i>If the PDP appointment is terminated by the Employer based on the above, the Employer shall:</i></p> <ul style="list-style-type: none"> (i) <i>pay the PDP (based on all non-disputed PDP Payment Certificates due to the PDP) the unpaid amount of the Reimbursables specified in such PDP Payment Certificates and the value of the all the Services performed and Works done up to the date of termination (which shall include all advance payments of fees);</i> 	<p>We note that, in the event of termination by the Employer due to default by the PDP, MRCB Builders' liability is limited to the PDP Fee of RM112.28. Thus if the PDP appointment is terminated due to default, the Employer may deduct all costs, losses and damages incurred before settlement of the PDP Fee (If any) to MRCB Builders. Nonetheless the PDP will be reimbursed any unpaid amount of the Reimbursables incurred by the PDP.</p> <p>Notwithstanding the above, MRCB Builders' liability limit shall not apply for any liability incurred by the Employer resulting from the fraudulent, illegal or unlawful acts or omissions of the PDP or its personnel.</p> <p>These termination terms are reasonable and are similar to the previous contracts entered into by MRCB, such as the Project C8 Management Contract. The termination clause also safeguards the interest of MRCB as the PDP will be compensated for any Works done and Reimbursables incurred by the PDP prior to the termination, subject to the terms set out in the PDP Agreement.</p>

Salient Terms of The Management Contract	Kenanga Investment Bank's comments
<p><u>Termination by the Employer (cont'd)</u></p> <p>(ii) the Employer may deduct all costs, losses and damages incurred, thereafter due to the PDP. The amount, if any, remaining to be paid thereafter to the PDP shall constitute the PDP's sole claim for payment following termination;</p> <p>(iii) the Employer shall pay the PDP the part of the PDP Fees in proportion to the amount of Works carried out up to the date of termination; and</p> <p>(iv) for all disputed PDP Payment Certificates or disputed portions of PDP Payment Certificates, the Parties may refer the matter for resolution pursuant to the Dispute provisions in the PDP Agreement.</p>	<p>Please refer to the preceding paragraph.</p>
<p><u>Non-Default Termination</u></p> <p>If the Project is terminated or indefinitely suspended for any reason whatsoever by any relevant authority, the Employer may terminate the appointment of the PDP under the PDP Agreement by notice to the PDP.</p> <p>In the event of a non-default termination, the Employer shall pay the PDP (based on all non-disputed PDP Payment Certificates due to the PDP) the unpaid amount of the Reimbursables specified in such Payment Certificates and the value of the all the Services performed and Works done up to the date of termination.</p>	<p>These termination terms are reasonable and are in line with the norm for previous contracts entered into by the MRCB Group.</p>
<p><u>Termination due to Employer's Default</u></p> <p>In the event that the Employer:</p> <p>a) fails to make payment of any amount properly due to the PDP under this Agreement within 14 days of the due date; or</p> <p>b) refuses or disables itself from performing any of its obligations under this Agreement; or</p> <p>c) suffers an Event of Insolvency; or</p> <p>d) gives notice to the PDP that it is impossible for the Employer to continue to meet its contractual obligations.</p> <p>then the PDP may give written notice to the Employer, of such breach requiring the Employer to proceed diligently to remedy the breach within 60 days of receipt of the notice and if the Employer fails to diligently proceed to remedy the breach within such period of 60 days, then the PDP may, by a further written notice terminate its employment under this Agreement, such termination to take effect immediately upon receipt by the Employer of such notice.</p>	<p>These termination terms are reasonable and are similar to the previous contracts entered into by the MRCB Group, such as the Project C8 Management Contract.</p> <p>These terms protects MRCB Builders as it gives the Company the rights to terminate the PDP Agreement in the event of Employer's Default.</p>

Salient Terms of The Management Contract	Kenanga Investment Bank's comments
<p><u>Termination due to Employer's Default (cont'd)</u></p> <p><i>In the event the PDP Agreement is terminated due to Employer's default, the Employer shall pay to the PDP (based on all non-disputed PDP Payment Certificates due to the PDP):</i></p> <ul style="list-style-type: none"> a) <i>the unpaid amount of the Reimbursables specified in such PDP Payment Certificates and the value of all the Services performed and Works done up to the date of termination;</i> b) <i>all auditable demobilisation costs and other direct costs that the PDP has actually incurred in terminating the Services and where applicable, the Works Package Contracts; and</i> c) <i>the remaining balance of the PDP Fees.</i> 	<p>These terms also serves to safeguard the interest of MRCB Builders as the Services and Works rendered by MRCB Builders up to the date of termination is payable by the Employer, subject to the terms set out in the PDP Agreement.</p>
<p><u>Liability and Indemnity</u></p> <p><i>The total liability of the PDP to the Employer under the PDP Agreement shall be limited to the Liability Limit.</i></p> <p><i>The Liability Limit shall not apply or extend to the PDP's liability for any liability sustained or incurred by the Employer arising out of or resulting from the fraudulent, illegal or unlawful acts or omissions, of the PDP or its personnel.</i></p> <p><i>Save as expressly provided in the PDP Agreement neither Party shall be liable to the other Party for indirect punitive or consequential damages, including loss of profit or loss of opportunity.</i></p> <p><i>Subject to the Liability Limit, the PDP shall indemnify and hold harmless the Employer and all its personnel from and against any and all liability that the Employer may suffer, sustain or incur, and any claim against the Employer (including legal fees incurred in defending any claim), arising from:</i></p> <ul style="list-style-type: none"> a) <i>any act or omission of the PDP or its personnel or any other Person for whom the PDP is responsible at Law; and</i> b) <i>any breach by the PDP of the PDP Agreement.</i> <p><i>The PDP's liability will be reduced proportionately to the extent that the liability or claim was contributed to by a negligent act or omission of the Employer or its personnel. The Employer is entitled to a right of set-off in relation to any monies due when enforcing a right of indemnity conferred by the PDP Agreement.</i></p>	<p>These terms are set out to safeguard the interests of MRCB Builders in the event any liability that may arise from the provision of services under the PDP Agreement.</p> <p>These terms are set out to protect the interest of KLSB in the event of any breach or non-performance of MRCB Builders' undertakings, warranties or obligations under the PDP Agreement.</p> <p>These terms are reasonable as MRCB Builders' total liability arising from its provision of Services is limited to the Liability Limit.</p>

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Deductions and withholding from payment of PDP Fees

If the Employer is required by Laws to withhold or deduct any amount from an amount payable under the PDP Agreement, such amount so withheld or deducted shall be treated as having been paid to the PDP when it is withheld or deducted and the Employer shall not be liable to pay any such amount to the PDP. The Employer shall notify the PDP of the details of any amount withheld or deducted pursuant to the provisions set out in this section and provide documentary evidence to the PDP of the payments of all amounts withheld and deducted, to the Inland Revenue department or any other statutory body authorised by Laws to receive such payment.

In addition to the above, the Employer shall be entitled to withhold any amount or part thereof stated in any WPC payment certificate (except in relation to the portion relating to the PDP Fees) in relation to which there is a dispute whether the paid amount is the amount properly due and payable. The amount stated in any WPC payment certificate shall be paid in accordance with the provisions set out in the PDP Agreement save in relation to any amounts in relation which there is any dispute. Any dispute shall be resolved in accordance with the terms of the Works Package Contract.

These terms are reasonable and are in line with the norm for previous contracts entered into by the MRCB Group.

Kenanga Investment Bank's view

Based on the aforementioned, we are of the view that the salient terms of the PDP Agreement are fair and reasonable and are not detrimental to the non-interested shareholders of MRCB. In addition, the salient terms of the PDP Agreement are common with the terms of the previous contracts entered into by the MRCB Group.

6.3 Financial Evaluation of the Proposed PDP Contract

The provisional PDP Fees of RM112.28 million payable by KLSB to MRCB Builders in relation to the Services by MRCB Builders is arrived at based on 5% of the Project's provisional Development Cost of RM2.25 billion.

Given that the provisional PDP Fees of RM112.28 million payable to MRCB Builders is based on 5% of the Development Cost, we have, for providing an opinion on the fairness and reasonableness of the provisional PDP Fees, relied on the QS Report prepared by PCM Kos Perunding, being the independent quantity surveyor appointed by the Board to undertake an independent analysis of the Development Cost and Reimbursables of the Project provided in the PDP Agreement. The QS Report was prepared, amongst others, to ascertain the basis used in the PDP Agreement in arriving to the Development Cost by adopting methodologies that are in line with the market and industry best practices.

PCM Kos Perunding was established in 1995 and has approximately twenty years of practice in the quantity surveyor industry. PCM Kos Perunding's core services are 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.

PCM Kos Perunding confirms their independence based on the following:

- (i) PCM Kos Perunding is not involved in any negotiations in relations to the PDP Agreement and will not be involved in providing any Works and/or Services in relation to the Project; and

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- (ii) the QS Report has been independently prepared by PCM Kos Perunding based on the valuation methods as set out in Section 6.3 note (a) below and applying its own assumptions based on the relevant and acceptable market and industry best practices.

PCM Kos Perunding has also declared their independence from any conflict of interest situation as set out in Appendix C(II) of this Circular.

The provisional Development Cost and provisional PDP Fees, as extracted from the PDP Agreement *vis-a-vis* the QS Report are set out below:

Estimated development cost for the Project	Basis	PDP Agreement (RM'000)	Note	QS Report (RM'000)
Primary & secondary infrastructure cost		66,417		80,775
Roadwork & bridge		201,173		286,602
Utilities		717,420		756,979
Hardscape & softscape		101,978		104,202
Work outside boundary		237,189		208,686
Sub-total A		1,324,177		1,437,244
Preliminaries	6.7% of sub-total A	88,719		96,295
Construction Cost ("CC") *		1,412,896	(a)	1,533,539
General Contingency	10% of CC	141,290		153,354
Step-In-Contingency	2% of CC	28,258		30,671
Total Construction Cost ("TCC")*		1,582,444		1,717,564
Professional fees	6.5% of TCC	102,859	(b)	130,825
Authority & statutory cost		560,218	(c)	504,743
Development Cost *		2,245,521		2,353,132
<i>Reimbursables</i> #	4% of TCC	63,298	(d)	68,703
Provisional GDC		2,308,819		2,421,835
PDP Fees *	5% of Development Cost	112,276		117,657

* The Construction Cost, TCC and Development Cost will be borne by KLSB. The PDP Fees which is computed at 5% of the Development Cost will be payable to MRCB Builders for its Services rendered to KLSB in relation to the Project.

The Development Cost shall be borne by KLSB and save for the Reimbursables, there is no initial cash outlay by MRCB Builders for undertaking the Proposed PDP Contract. The PDP shall be entitled to submit its claim of Reimbursables from KLSB on a monthly basis.

We have reviewed and are satisfied with the basis and assumptions adopted by the QS in arriving at the total estimated provisional GDC of RM2.42 billion provided in the QS Report, which are summarised in note (a) to (c) below. The executive summary of the QS Report is enclosed as Appendix I of this Circular.

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Notes:

(a) Construction Cost

There are four primary methods used in the construction industry in arriving at the estimated construction cost of infrastructure, namely the Project Comparison Estimating, Unit Rate Method, Elemental Cost Plan Method and Unit Price Method. These methods are generally 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.

(i) Project Comparison Estimating

The Project Comparison Estimating utilises historical cost data comparison method of projects with similar parameters such as type of infrastructure e.g. roadworks, drainage works, sewerage works, etc.. The Project Comparison Estimating method was usually adopted for projects that are at a very preliminary stage where no design parameters are identified yet.

(ii) Unit Rate Method

The unit rate method involves the use of a single functional unit per meter square that serves as a multiplier for each individual element of works such as roadworks, drainage works etc.. Historical data from previous similar infrastructure construction projects are used to arrive at the single functional unit per meter square. This functional unit per sq ft is then multiplied by the size of each individual element of works.

(iii) Elemental Cost Plan Method

The Elemental Cost Plan Method involves a segregation of cost breakdown for a particular section of works such as roadworks, road furniture, road signage, road painting etc., 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 fifty-percent complete and hence may not be applicable for the estimation of the Construction Cost for the Project at this juncture.

(iv) 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 Construction Cost for the Project at this juncture.

The QS has adopted both the Project Comparison Estimating method and Unit Rate Method in arriving at the estimated Construction Cost for the Project based on the following reasons:

- The preliminary drawings for the Project have been made available to the QS where the infrastructure perimeters such as the length and width of the road and the information for its related works such as road curbs, road perimeter drain etc. can be derived to compute the gross floor area; and
- Each individual element of works and its intended use for the Project have also been determined which allows the QS to obtain the relevant comparable to allocate the cost for each individual element of works.

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The QS has adopted the Unit Rate Method for work elements where preliminary quantities can be derived where the information is available and can be extracted from the issued drawings from MRCB Builders such as roadworks, drainage, sewerage etc.

Conversely, for work elements where information is not yet made available in the issued drawings, yet the costing is included in the provisional Construction Cost of the Project, the QS has adopted the Project Comparison Estimating method.

As set out in the QS Report, both the Project Comparison Estimating method and 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 are the most reflective methods to provide the preliminary estimation of the Construction Cost for the Project at this juncture.

The difference in the amount of the Construction Cost set out in the PDP Agreement of RM1,412.89 million and QS Report of RM1,533.54 million was mainly due to different methods and assumptions adopted. The Construction Cost of RM1,412.89 as set out in the PDP Agreement was arrived at based on a single unit rate multiplied with the total area of the Project, whereas, the Construction Cost of RM1,533.54 million as estimated by the QS was arrived at based on the combination of Unit Rate Method and Project Comparison Estimating method as mentioned above.

Notwithstanding the above, the Construction Cost set out in the PDP Agreement is only provisional at this juncture and is subject to changes depending on the finalisation of the detail design and specification for the Project.

(b) Professional Fees

The professional fees represent payments to the relevant consultants to be engaged which includes town planner, civil and structural engineers, mechanical and electrical engineers, quantity surveyors and any other consultants required for the Project.

The professional fees in the PDP Agreement was based on 6.5% of the TCC of RM1.58 billion, whilst the higher professional fee in the QS Report includes a project supervision cost of RM19.18 million, which was not provided in the PDP Agreement, in addition to the 6.5% of the TCC of RM1.72 billion. The Project Supervision Cost of RM19.18 million included in the QS Report is to cater for the supervisory function that the consultants are required to undertake once the Project commenced. The main role of the Project Supervisor is to ensure that the designs for the Project are closely adhered to and whenever necessary, to provide their input on the designs during the construction.

In addition, the Professional Fees of RM102.86 million provided in the PDP Agreement is only provisional at this juncture and is subject to changes upon the Employer and the PDP appointing the relevant consultants required for the Project.

The Professional Fees which form parts of the Development Cost will be borne by KLSB.

(c) Authority and Statutory Cost

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 Project. Such authorities include any statutory body having jurisdiction over the Project and any company or body authorised to provide water, electricity, sewerage and other related services.

The authority and statutory cost in the QS Report of approximately RM504.74 million was arrived at based on the relevant Government agencies guidelines.

The authority and statutory cost which form parts of the Development Cost will be borne by KLSB.

(d) Reimbursables

The Reimbursables comprises staff salaries, travel expenses and software cost to be incurred by MRCB Builders for the Project. MRCB Builders will bear the Reimbursables initially and claim from KLSB on a monthly basis subject to the terms set out in the PDP Agreement.

The Reimbursables in the QS Report of approximately RM68.70 million was arrived at by estimating salaries for thirty staff for seven years appointment with 6% increment annually, travel expenses in relation to the Project for seven years tenure as well as cost of software required by MRCB Builders for the Project.

The QS is of the view that the Reimbursables rate of 4% of TCC as set out in the PDP Agreement is adequate for the Project.

Kenanga Investment Bank's View

The Development Cost shall be borne by KLSB and save for the Reimbursables, there is no initial cash outlay by MRCB Builders for undertaking the Proposed PDP Contract.

Based on the analysis above, we note that the Development Cost estimated by the QS of RM2.35 billion is higher compared to the provisional Development Cost provided in the PDP Agreement of RM2.25 billion by approximately RM0.11 billion or 4.8%. Accordingly, the PDP Fees estimated by the QS of RM117.66 million is higher than the provisional PDP Fees provided in the PDP Agreement of RM112.28 million. As such, the actual PDP Fees payable to MRCB Builders may potentially be higher than the RM112.28 as set out in the PDP Agreement.

The rate of PDP Fees of 5% of the Development Cost was based on commercially negotiated terms by the Parties. In addition, we also note that the rate of 5% is similar to the rates set out in the previous contracts entered into by MRCB Group for the provision of similar services such as the Project C8 Management Contract.

Therefore, we are of the view that the PDP Agreement's provisional Development Cost of RM2.25 billion and in turn the provisional PDP Fees set out in the PDP Agreement of RM112.28 million are FAIR and REASONABLE.

Notwithstanding the above, non-interested shareholders should note that the Development Cost estimated by the QS was prepared based on the prevailing economic, market and other conditions as at the date of the QS 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 design and construction material cost over the contract period may significantly change the basis and assumptions used which may materially affect the total Development Cost estimated by the QS. However, the Development Cost and in turn the PDP Fees is only provisional at this juncture and may vary over the contract period and is subject to the finalisation of the detailed design of the Project.

6.4 Financial effects of the Proposed PDP Contract

We have noted the financial effects of the Proposed PDP Contract as set out in Section 7 of Part C of the Circular.

Kenanga Investment Bank's view

- (i) The Proposed PDP Contract will not have any effect on the issued and paid-up share capital of MRCB and its substantial shareholders' shareholdings as the Proposed PDP Contract does not involve the issuance of any new shares;
- (ii) The Proposed PDP Contract is not expected to have any material effect on the earnings and EPS of MRCB for the FYE 31 December 2016 as the Services to be provided by MRCB Builders is only expected to commence in 2017 in accordance to the timeframe as set out in the MIP; and
- (iii) The Proposed PDP Contract is not expected to have any material effect on the consolidated NA per share and gearing of MRCB for the FYE 31 December 2016.

In addition, we note that the obligations of the PDP in respect of the provision of the Services and/or potential construction cost to be incurred pursuant to the step-in provisions under the PDP Agreement, if any, will be funded via the Mobilisation Fee and via internally generated funds and/or bank borrowings.

In the event MRCB obtains bank borrowings to fund its expenses in relation to the Proposed PDP Contract, the NA per share of MRCB may decrease, whilst the gearing of MRCB may increase in the future.

Notwithstanding the above, the non-interested shareholders should note that the Proposed PDP Contract, barring any unforeseen circumstances is expected to contribute positively to the future earnings of MRCB Group during the contract period with the provisional PDP Fees of RM112.28 million as set out in the PDP Agreement. However, the PDP Fees of RM112.28 million is only provisional at this juncture and may vary subject to the Development Cost of the Project.

6.5 Risk Factors for the Proposed PDP Contract

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

Kenanga Investment Bank's view

We note the risk factors as set out in Section 5 of Part C of the Circular are common business risk of the MRCB Group and are not expected to significantly alter the business risk profile of the Group.

We further note that although measures may be taken by the Board and management of MRCB Group 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 Group, its competitiveness, financial performance, financial position and/or the Company's prospects thereon.

Notwithstanding the above, the Group is expected to benefit from undertaking the Proposed PDP Contract, which has provisional PDP Fees of approximately RM112.28 million. However, the non-interested shareholders should note that MRCB Builders may only be able to progressively realise the revenue estimated from the Proposed PDP Contract until the expected completion of the Project in 2023.

6.6 Overview and Prospects of the Malaysian Economy and Construction Industry

In evaluating the prospects of the Proposed PDP Contract, 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 Project is located.

6.6.1 Overview and outlook of the Malaysian economy

The Malaysian economy grew by 4% during the second quarter of 2016 (Q1 2016: 4.2%) despite increasing uncertainties in the external environment. On the supply side, all sectors continued to register a positive growth except agriculture. The construction sector expanded by 8.8% (Q1 2016: 7.9%) mainly driven by higher civil engineering and residential subsectors.

Headline inflation, as measured by the annual change in the Consumer Price Index (CPI), increased at a slower pace of 1.9% in the second quarter of 2016 (Q1 2016: 3.4%). The CPI increase was mainly contributed by higher prices recorded in three major groups, namely, the food and non-alcoholic beverages; housing, water, electricity, gas and other fuels as well as alcoholic beverages and tobacco. These groups cumulatively accounted for 2.47 percentage points to the total increase. However, the transport group declined by 6.6% during the quarter, offsetting the total CPI by 0.93 percentage points. The easing pressure of inflation was partly due to the base effect following the GST implementation in 2015.

The Malaysian economy is expected to remain on its growth trajectory in the third quarter of 2016. This is underpinned by strong macroeconomic fundamentals as well as pro-growth fiscal and accommodative monetary policies.

Domestic demand will continue to be the main engine of growth supported by private sector activity. On the supply side, the services, manufacturing and construction sectors will remain as the key drivers of growth. The economy will continue to operate under conditions of full employment while inflation is expected to remain manageable.

(Source: Quarterly Update on the Malaysian Economy – 2nd Quarter 2016, Ministry of Finance)

6.6.2 Overview and outlook of the construction sector

The construction sector continued to record a strong growth of 8.8% during the second quarter of 2016 (Q1 2016: 7.9%) led mainly by civil engineering and residential activities.

The civil engineering subsector continued to post a double-digit growth of 18.9% (Q1 2016: 17.5%) supported by petrochemicals activities. The residential subsector recorded a strong growth of 9.2% (Q1 2016: 4.9%) driven by construction of high-end projects such as service apartments and terrace houses as well as Housing Project for the Hardcore Poor (PPRT) in the East Coast of Peninsular Malaysia. The specialised construction activities posted a growth of 7.9% (Q1 2016: 8.9%) mainly driven by piling, land clearing and earthworks activities, while the non-residential subsector contracted by 0.9% (Q1 2016: 0.4%) as there were no new projects during the quarter.

The total value of construction work completed continued to increase at a double-digit pace of 11.7% year-on-year to RM30.4 billion with 9,983 projects registered (Q1 2016: 11.1%; RM31.9 billion; 10,043 projects). The civil engineering subsector contributed the highest share in terms of value (33.1%), followed by non-residential buildings (31.6%), residential buildings (30.5%) and specialised construction activities (4.8%). The private sector continued to dominate construction activity with a share of 66.5% during the quarter.

(Source: Quarterly Update on the Malaysian Economy – 2nd Quarter 2016, Ministry of Finance)

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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

The subdued performance of the property market in 2014, has continued in 2015. Despite the general slowdown, the market activities in Klang Valley remained vibrant.

The most significant land deals were mainly situated in the city centre, with four sales of development land were within the Tun Razak Exchange (TRX) development. Each land is with different density/plot ratio with the highest sale recorded was at RM4,699 psf. It is anticipated that there will be more high-end and branded developments in the prime locations, and also more regeneration and retrofitting projects in the city centre to complement these landmark developments.

Other notable land deals included the purchase of 26 pieces of leasehold land totalling 2,198.40 acres in Ijok, Kuala Selangor, by Eco World Development Group Bhd, at RM1.181 billion, for the development of a new township. In addition, Sunway Bhd, through its wholly owned subsidiary Sunway Dimension Stones Sdn Bhd has entered into two sale and purchase agreements to purchase five land parcels measuring 17-acre for a combined RM286 million or RM386 psf, which is proposed for a mixed development

(Source: 2016 Property Market, C H Williams Talhar & Wong)

Kenanga Investment Bank's view

Based on the aforementioned, we note that the Malaysian economy has expanded by 4% in the second quarter of 2016 and is expected to remain on its growth trajectory in the third quarter of 2016.

We note that amid the moderate growth outlook, the construction sector has expanded 8.8% in the second quarter of 2016, largely driven by strong civil engineering and residential activities. In addition, we also note that the property market activities in Klang Valley including significant land deals are expected to generate more future developments in Klang Valley.

We expect that by undertaking the Proposed PDP Contract allows MRCB Group to strengthen their position as one of the major players in the Malaysian engineering and construction industry and the Proposed PDP Contract may provide future opportunity for the Group to participate in the various upcoming developments in Klang Valley.

In addition, we note that the Proposed PDP Contract forms part of the Kwasa Damansara development, a large scale mixed development comprising approximately 2,330 acres of land with an estimated gross development value of RM50.0 billion over the next twenty years. We further note that the strategic location of Kwasa Damansara Township and its connectivity with the proposed mass rapid transit and networks of roads and highways hinges well with the prospect of the Kwasa Damansara development.

Therefore, MRCB Builders, by undertaking the Proposed PDP Contract in such a large scale project will further enhance the Group's reputation and track record as one of the major players in the Malaysian engineering and construction industry.

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7. FURTHER INFORMATION

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

8. CONCLUSION AND RECOMMENDATION

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

- (i) the Proposed PDP Contract is in the ordinary course of MRCB Builders' business and the Group possesses the requisite experience and expertise to undertake the Proposed PDP Contract. In addition, the Proposed PDP Contract is also expected to contribute positively to the earnings of MRCB Group over the contract period;
- (ii) the salient terms of the PDP Agreement are fair and reasonable and not detrimental to the non-interested shareholders of MRCB. In addition, the general conditions of the PDP Agreements are similar to the terms adopted by MRCB Group in previous contracts such as the Project C8 Management Contract;
- (iii) the basis of the PDP Fee has been fixed at 5% of the Development Cost as set out in the PDP Agreement and it is similar to the rates charged by MRCB under the Project C8 Management Contract for the similar services provided. Furthermore, we note that the Development Cost provided in the PDP Agreement is provisional at this juncture and may vary over the contract period. Additionally, the Development Cost estimated by the QS is higher than the provisional Development Cost provided in the PDP Agreement and thus the PDP Fee payable to MRCB Builders may potentially be higher than the provisional PDP Fee of RM112.28 million as set out in the PDP Agreement. Therefore, we are of the view that the provisional PDP Fee is fair and reasonable;
- (iv) The Proposed PDP Contract will not have any effect on the share capital and substantial shareholders' shareholdings of MRCB. In addition, the Proposed PDP Contract 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 2016;
- (v) The risk factors as set out in Section 5 of Part C of the Circular are not expected to significantly alter the business risk profile of MRCB Group. Nonetheless, no assurance can be given that the risks will not crystallise and give rise to material and adverse impact on the business of MRCB Group, its competitiveness, financial performance/position or prospects thereon; and
- (vi) The Malaysian economy and the construction sector remained resilient with the property market activities in the Klang Valley is expected to remain robust. The Proposed PDP Contract and the Group's involvement in large scaled development such as Kwasa Damansara Township will allow MRCB Group to strengthen its position and reputation in the engineering and construction industry and may provide future opportunities for the Company to participate in the various upcoming developments in Klang Valley.

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After taking into consideration the abovementioned factors and on an overall basis, we are of the opinion that the Proposed PDP Contract 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 PDP Contract to be tabled at the forthcoming EGM of the Company.

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

DATUK ROSLAN HJ TIK
Executive Director, Head
Group Investment Banking

DATUK CHAY WAI LEONG
Group Managing Director

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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 Mahkota Ballroom II, BR Level, Hotel Istana Kuala Lumpur City Centre, 73, Jalan Raja Chulan, 50200 Kuala Lumpur on Wednesday, 30 November 2016 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without any modification, the following ordinary resolutions:-

ORDINARY RESOLUTION 1

PROPOSED ESTABLISHMENT OF A LONG-TERM INCENTIVE PLAN OF UP TO TEN PERCENT (10%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF MRCB (EXCLUDING TREASURY SHARES), FOR THE ELIGIBLE EMPLOYEES OF MRCB AND ITS SUBSIDIARIES (EXCLUDING SUBSIDIARIES WHICH ARE DORMANT) AND ELIGIBLE EXECUTIVE DIRECTORS OF MRCB (“PROPOSED LTIP”)

“THAT, subject to and conditional upon the approvals of all relevant regulatory authorities or parties being obtained (if required) and to the extent permitted by law and the Memorandum and Articles of Association of the Company, approval be and is hereby given to the Company to establish MRCB’s Proposed LTIP for the executive share grant scheme comprising the restricted share plan and the performance share plan of up to ten percent (10%) of the issued and paid-up share capital of MRCB for the benefit of eligible employees of MRCB and its subsidiaries (excluding subsidiaries which are dormant) (“MRCB Group” or the “Group”) and eligible executive directors of the Company who fulfill the eligibility criteria for participation in the Proposed LTIP (collectively, the “Eligible Person(s)”) and the Board of Directors of MRCB (“Board”) be and are hereby authorised to:-

- (i) implement and administer the Proposed LTIP in accordance with the by-laws governing the Proposed LTIP (“By-Laws”), a draft of which is as set out in Appendix A(I) of Part A of the circular to shareholders dated 15 November 2016 (“Circular”) and to give full effect to the Proposed LTIP with full power to assent to any conditions, variations, modifications and/ or amendments as may be deemed fit or expedient and/ or imposed/ required by the relevant authorities;
- (ii) make the necessary applications and do all the things necessary at the appropriate time or times to Bursa Malaysia Securities Berhad (“Bursa Securities”) for the listing of and quotation for the new ordinary share of RM1.00 each in the Company (“MRCB Share(s)” or “Share(s)”) which may from time to time be allotted and issued pursuant to the Proposed LTIP;
- (iii) allot and issue such number of new Shares and/ or to transfer existing MRCB Shares from time to time to the Eligible Persons as may be required for the purpose of or in connection with the Proposed LTIP, provided that the aggregate number of MRCB Shares which may be awarded under the Proposed LTIP and any other schemes involving issuance of new MRCB Shares to the Eligible Persons which are still subsisting shall not exceed ten percent (10%) of the issued and paid-up ordinary share capital of the Company (excluding treasury shares) at any one time and that such new MRCB Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing MRCB Shares, save and except that they will not be entitled to any dividends, rights, allotments and/ or other distributions in respect of which the entitlement date is prior to the date of allotment and issuance of the new MRCB Shares and will be subject to all the provisions of Memorandum and Articles of Association and the By-Laws of the Company relating to the transfer, transmission and otherwise of the Shares;

- (iv) appoint trustee(s) (“Trustee(s)”) to subscribe for new Shares and/ or acquire existing Shares for the purpose of the Proposed LTIP provided always that the total number of MRCB Shares which may be made available under the Proposed LTIP and any other employee share issuance schemes to be implemented by the Company shall not in aggregate exceed ten percent (10%) of the issued and paid-up ordinary share capital of the Company (excluding treasury shares) at any time during the duration of the Proposed LTIP and to pay expenses in relation to the administration of the trust(s) (which may be established by a committee to be appointed by the Board (“LTIP Committee”), if required) to the extent permitted by law (“Trust”), be entitled to accept funding and/ or assistance, financial or otherwise, from the Group and/ or any third party to be paid into the bank account(s) established by the Trustee(s) for the purpose of the Trust as the Trustee may direct;
- (v) provide money or other assistance (financial or otherwise), and/ or to authorise and/ or procure any one (1) or more of the subsidiaries of the Company, to provide money or assistance (financial or otherwise) from time to time if required, to enable the Trustee to acquire, subscribe for and/ or transfer MRCB Shares for the purposes of implementation and administration of the Proposed LTIP;
- (vi) modify and/ or amend the Proposed LTIP and/ or the By-Laws from time to time provided that such modifications and/ or amendments are permitted and effected in accordance with the provisions of the By-Laws relating to modifications and/ or amendments;
- (vii) do all such acts and things, to execute all such documents and to enter into all such transactions, arrangements and agreements, deeds or undertakings (including but not limited to the trust deeds with the Trustee(s)) and to make such rules or regulations, or impose such terms and conditions or delegate its power as may be necessary or expedient in order to give full effect to the Proposed LTIP and terms of the By-Laws; and
- (viii) extend the Proposed LTIP for a further period of up to five (5) years or such longer duration as may from time to time be permitted by the relevant authorities without having to obtain further approvals of the shareholders of the Company in a general meeting (unless otherwise required by law or the relevant authorities) or the relevant regulatory authorities and to consent to and to adopt, if the Board so deems fit and expedient, such conditions, modifications and/ or variations as may be required or imposed by the relevant authorities in respect of the Proposed LTIP.

THAT the Board be and is hereby authorised to give effect to the Proposed LTIP with full power to consent to and to adopt and implement such conditions, modifications, variations and/ or amendments as may be required by the relevant regulatory authorities or as the Board may deem fit or necessary at its discretion.

AND THAT the proposed By-Laws of the Proposed LTIP, as set out in Appendix A(I) of Part A of the Circular, which is in compliance with the Main Market Listing Requirements of Bursa Securities (“Listing Requirements”), be and is hereby approved and adopted.”

ORDINARY RESOLUTION 2

PROPOSED AWARD TO TAN SRI MOHAMAD SALIM FATEH DIN

“**THAT**, subject to the passing of Ordinary Resolution 1 and the approvals of all relevant authorities or parties being obtained (if required), approval be and is hereby given to the Board to authorise the LTIP Committee to award, from time to time throughout the duration of the Proposed LTIP, MRCB Shares to Tan Sri Mohamad Salim Fateh Din, the Group Managing Director of the Company, provided not more than ten percent (10%) of the MRCB Shares, made available under the Proposed LTIP and any other subsisting employee share scheme(s), individually and collectively, shall be allocated to him if he, either singly or collectively through persons connected with him, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company (excluding treasury shares), subject always to such terms and conditions of the By-Laws and the Listing Requirements, or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

THAT the Board be and is hereby authorised to allot and issue new MRCB Shares and/ or transfer existing MRCB Shares pursuant to the Proposed LTIP to him from time to time pursuant to the vesting of his grant.

AND THAT the Board be and is hereby authorised to take such steps as are necessary or expedient to implement, finalise or to give full effect to the proposed award to Tan Sri Mohamad Salim Fateh Din with full power to assent to any terms, conditions, modifications, variations and/ or amendments as may be imposed and/ or permitted by the relevant authorities or otherwise thought fit by the Board to be in the best interest of the Company; to execute, sign and deliver on behalf of the Company all such agreements, arrangements and documents as may be necessary to give full effect to, complete and implement the proposed award to Tan Sri Mohamad Salim Fateh Din as well as to deal with all matters relating thereto and/ or to do all such acts and things as the Board may deem fit and expedient in the best interest of the Company.”

ORDINARY RESOLUTION 3

PROPOSED AWARD TO MOHD IMRAN TAN SRI MOHAMAD SALIM

“**THAT**, subject to the passing of Ordinary Resolution 1 and the approvals of all relevant authorities or parties being obtained (if required), approval be and is hereby given to the Board to authorise the LTIP Committee to award, from time to time throughout the duration of the Proposed LTIP, MRCB Shares to Mohd Imran Tan Sri Mohamad Salim, the Executive Director of the Company, provided not more than ten percent (10%) of the MRCB Shares, made available under the Proposed LTIP and any other subsisting employee share scheme(s), individually and collectively, shall be allocated to him if he, either singly or collectively through persons connected with him, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company (excluding treasury shares), subject always to such terms and conditions of the By-Laws and the Listing Requirements, or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

THAT the Board be and is hereby authorised to allot and issue new MRCB Shares and/ or transfer existing MRCB Shares pursuant to the Proposed LTIP to him from time to time pursuant to the vesting of his grant.

AND THAT the Board be and is hereby authorised to take such steps as are necessary or expedient to implement, finalise or to give full effect to the proposed award to Mohd Imran Tan Sri Mohamad Salim with full power to assent to any terms, conditions, modifications, variations and/ or amendments as may be imposed and/ or permitted by the relevant authorities or otherwise thought fit by the Board to be in the best interest of the Company; to execute, sign and deliver on behalf of the Company all such agreements, arrangements and documents as may be necessary to give full effect to, complete and implement the proposed award to Mohd Imran Tan Sri Mohamad Salim as well as to deal with all matters relating thereto and/ or to do all such acts and things as the Board may deem fit and expedient in the best interest of the Company.”

ORDINARY RESOLUTION 4

PROPOSED AWARD TO NOR IZZATI TAN SRI MOHAMAD SALIM

“**THAT**, subject to the passing of Ordinary Resolution 1 and the approvals of all relevant authorities or parties being obtained (if required), approval be and is hereby given to the Board to authorise the LTIP Committee to award, from time to time throughout the duration of the Proposed LTIP, MRCB Shares to Nor Izzati Tan Sri Mohamad Salim, a person connected with Tan Sri Mohamad Salim Fateh Din, the Group Managing Director of the Company, and Mohd Imran Tan Sri Mohamad Salim, the Executive Director of the Company, provided that not more than ten percent (10%) of the MRCB Shares made available under the Proposed LTIP and any other schemes involving issuance of new MRCB Shares to employees which may be implemented from time to time by the Company is allocated to her if she, either singly or collectively through persons connected with her, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company (excluding treasury shares), subject always to such terms and conditions of the By-Laws and/ or any adjustments which may be made in accordance with the provisions of the By-Laws and Listing Requirements of Bursa Securities, or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

THAT the Board be and is hereby authorised to allot and issue new MRCB Shares and/ or transfer existing MRCB Shares pursuant to the Proposed LTIP to her from time to time pursuant to the vesting of her grant.

AND THAT the Board be and is hereby authorised to take such steps as are necessary or expedient to implement, finalise or to give full effect to the proposed award to Nor Izzati Tan Sri Mohamad Salim with full power to assent to any terms, conditions, modifications, variations and/ or amendments as may be imposed and/ or permitted by the relevant authorities or otherwise thought fit by the Board to be in the best interest of the Company; to execute, sign and deliver on behalf of the Company all such agreements, arrangements and documents as may be necessary to give full effect to, complete and implement the proposed award to Nor Izzati Tan Sri Mohamad Salim as well as to deal with all matters relating thereto and/ or to do all such acts and things as the Board may deem fit and expedient in the best interest of the Company.”

ORDINARY RESOLUTION 5

PROPOSED DISPOSAL BY 348 SENTRAL SDN BHD (“348 SENTRAL”), A WHOLLY-OWNED SUBSIDIARY OF MRCB, OF MENARA SHELL (AS DEFINED HEREIN) TO MAYBANK TRUSTEES BERHAD (“MTB”), ACTING SOLELY IN THE CAPACITY AS TRUSTEE FOR MRCB-QUILL REIT (“MQ REIT”), A REAL ESTATE INVESTMENT TRUST, FOR A TOTAL DISPOSAL CONSIDERATION OF RM640 MILLION TO BE SATISFIED ENTIRELY IN CASH (“PROPOSED DISPOSAL”)

“**THAT**, subject to the passing of Ordinary Resolution 6 and the approvals of all relevant regulatory authorities or parties being obtained (if required), approval be and is hereby given for 348 Sentral, a wholly-owned subsidiary of the Company, to undertake the disposal of a 33-storey office tower known as “Menara Shell”, together with a five (5)-storey podium and four (4)-storey basement car park, including all the plant and equipment, fixtures and fittings located in or on or which otherwise relate to or are affixed to the development as well as all mechanical and electrical systems and services, but excluding (i) a 21-storey service apartment known as “Ascott Sentral Kuala Lumpur”; (ii) the common areas as defined in the sale and purchase agreement dated 30 June 2016 entered into between 348 Sentral and MTB for the Proposed Disposal (“SPA”); and (iii) the fixtures and fittings belonging to existing tenants and third parties including those with whom the existing tenants have entered into a hire purchase and/ or leasing arrangement in respect of such fittings and fixtures (“Menara Shell”) to MTB for a total disposal consideration of RM640 million, in accordance with the provisions of the SPA.

THAT the proceeds from the Proposed Disposal will be utilised for such purposes as set out in Section 2.8 of Part B of the Circular and the Board be authorised with full powers to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary or expedient, subject to (where required) the approval of the relevant authorities.

AND THAT the Board be and is hereby authorised to give full effect to the Proposed Disposal 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 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 in the best interests of the Company.”

ORDINARY RESOLUTION 6

PROPOSED SUBSCRIPTION BY MRCB OF NO LESS THAN RM110 MILLION BUT UP TO RM152 MILLION IN VALUE OF NEW UNITS IN MQ REIT (“UNITS”) PURSUANT TO THE PROPOSED PLACEMENT EXERCISE TO BE UNDERTAKEN BY MQ REIT (“PROPOSED SUBSCRIPTION”)

“**THAT**, subject to the passing of Ordinary Resolution 5 and the approvals of all relevant regulatory authorities or parties being obtained (if required), approval be and is hereby given for the Company to subscribe for new Units with an aggregate value of no less than RM110 million but up to RM152 million under the proposed placement exercise to be undertaken by MQ REIT.

AND THAT the Board be and is hereby authorised to give full effect to the Proposed Subscription 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 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 in the best interests of the Company.”

ORDINARY RESOLUTION 7

PROJECT DELIVERY PARTNER (“PDP”) AGREEMENT BETWEEN MRCB BUILDERS SDN BHD (“MRCB BUILDERS”), A WHOLLY-OWNED SUBSIDIARY OF MRCB, AND KWASA LAND SDN BHD (“KLSB”) FOR THE APPOINTMENT OF MRCB BUILDERS AS A PDP IN CONNECTION WITH THE CONSTRUCTION AND COMPLETION OF COMMON INFRASTRUCTURE FOR THE MAJLIS BANDARAYA PETALING JAYA AREA AT THE PROPOSED KWASA DAMANSARA TOWNSHIP, FOR A PROVISIONAL FEE OF APPROXIMATELY RM112.28 MILLION (“PROPOSED PDP CONTRACT”)

“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 MRCB Builders to be appointed as the PDP in connection with the construction and completion of the common infrastructure for the Majlis Bandaraya Petaling Jaya area at the proposed Kwasa Damansara Township located on a piece of land (formerly known as Rubber Research Institute Malaysia land) in Sungai Buloh measuring approximately 2,330.42 acres, for a provisional fee of approximately RM112.28 million (excluding 6% goods and services tax and reimbursable costs as set out in Note 2 of Section 2.2 of Part C of the Circular) (“PDP Fees”), in accordance with the terms and conditions as stipulated in the PDP agreement dated 26 May 2016 entered into between KLSB and MRCB Builders in relation to the Proposed PDP Contract.

THAT the Board be and is hereby authorised with full powers to accept any changes to the PDP Fees 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 PDP Contract 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 interests of the Company.”

BY ORDER OF THE BOARD

Mohd Noor Rahim Yahaya
MAICSA 0866820
Company Secretary

Kuala Lumpur
15 November 2016

Notes:-

1. *Only members whose names appear in the Record of Depositors on 22 November 2016 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	NRIC Number	Proportion of shareholdings represented	
		Number of shares	Percentage (%)

*and/ or failing him/ her

Second Proxy

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

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 Wednesday, 30 November 2016 at 10.00 a.m. or at any adjournment thereof.

*My/ our proxy is to vote on the Ordinary Resolutions as indicated below.

ORDINARY RESOLUTIONS		FOR	AGAINST
Ordinary Resolution 1	: Proposed LTIP		
Ordinary Resolution 2	: Proposed Award to Tan Sri Mohamad Salim Fateh Din		
Ordinary Resolution 3	: Proposed Award to Mohd Imran Tan Sri Mohamad Salim		
Ordinary Resolution 4	: Proposed Award to Nor Izzati Tan Sri Mohamad Salim		
Ordinary Resolution 5	: Proposed Disposal		
Ordinary Resolution 6	: Proposed Subscription		
Ordinary Resolution 7	: Proposed PDP Contract		

Please indicate with an "X" in the appropriate space as to how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

Dated this _____ day of _____ 2016

Signature of Shareholder _____

* DELETE IF NOT APPLICABLE.



Notes:-

- 1. Only members whose names appear in the Record of Depositors on 22 November 2016 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.*

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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