WCT Holdings Berhad (930464-M)
6th Annual General Meeting held on 1st June 2017

Responses to questions from MSWG

Strategy and Financial Matters

1. The Chairman's Statement reported that the Group's net profit for 2016 would have been higher at RM100 million if not for the share of losses of the joint venture, unrealized foreign exchange gain and recognition of notional finance cost.

Q1(a): ***Could the Board explain the reasons for the lower net profit of RM65.169 million amid the Group's revenue of RM1.93 billion, a significant increase of 16% from RM1.67 billion in the previous year?***

Answer: *The lower net profit in the financial year 2016 was mainly due to :-*

(i) recognition of effective finance costs on long term trade receivables pursuant to FRS 139 (Financial Instruments: Recognition and Measurement) amounting to RM15.228 million;

(ii) recognition of fair value losses of a joint venture amounting to RM29.371 million in 2016 (as compared to a fair value gain of a joint venture investment asset of RM63.671 million in 2015); and

(iii) lower unrealised foreign exchange gain in 2016 amounting to RM12.947 million (as compared to higher unrealized foreign exchange gain in 2015 of RM92.535 million).

Excluding these items, the Group's net profit attributable to shareholders would have been RM96.848 million, as compared to RM68.375 million.

Q1(b): ***What had caused the Group's share of loss of the joint venture in Jelas Puri Sdn Bhd, a 70% owned subsidiary amounting to RM21.385 million as against its share of profit amounting to RM69.957 million in the previous year?***

Answer: *In 2015, the Group had a higher share of profit of joint venture as Jelas Puri Sdn Bhd had recognized a fair value gain on its investment assets after the revaluation of Paradigm Mall Petaling Jaya and The Ascent office tower amounting to RM95.75million, of which RM63.67million was shared by our Group.*

The valuation by the independent valuers for Paradigm Mall Petaling Jaya and The Ascent office tower was RM702.76million and RM386.41million respectively.

In 2016, the Group had recognized a share of loss of joint venture as Jelas Puri had recognized a fair value loss on Paradigm Mall of RM4.76million and The Ascent office tower of RM39.41 million, after taking into account disposal price of The Ascent and the elevated car park to EPF at RM347million.

Q1 (c): ***Could the Board brief on the joint venture in Jelas Puri and whether additional losses expected to be incurred until the completion of the joint venture?***

Answer: *Jelas Puri is a joint-controlled entity, which is 70% owned by WCT and 30% owned by EPF. It is currently undertaking an integrated development called Paradigm Petaling Jaya, comprising a retail mall, a hotel, an office tower and 2 residential apartment blocks.*

The loss of Jelas Puri Sdn Bhd in 2016 was due to the fair value loss on its investment assets. These assets are revalued annually which my lead to fair value gains or losses.

2. In the Management Discussion and Analysis (MD & A), the Group's Engineering and Construction (E and C) Division recorded revenue and operational profit of RM1.57 billion and RM74 million respectively in 2016 as compared to its lower revenue of RM1.28 billion with a higher profit of RM129.9 million achieved in the previous year.

Q2(a): ***Despite the fact that the Group's E and C Division contributed 81% of the Group's total revenue, could the Board explain why the operational profit only accounted for 41% of the Group's operating profit in 2016?***

Answer: *Generally, the profit margin for the Group's Engineering and Construction Division ranges from 5%-10% depending on the nature of the job. General building works normally command lower profit margin as compared to civil and infrastructure related works.*

In 2016, the overall construction profit margin was lower as approximately 60% of the revenue of the Group's Engineering and Construction Division was derived from building works which commanded lower profit margin.

Moving forward, with higher proportion of civil and infrastructure jobs on hand, we envisage the profit contribution from the Group's Engineering and Construction Division to improve over the next few years.

Q2(b): ***What are the Board's strategies to improve the operational margin of the Group's E and C Division taking into account the Property Development Division's revenue of RM303.2 million with an operational profit of RM82.5 million or 45% of the Group's operating profit in 2016?***

Answer: *In order to improve the operational margin, our Group will continue to focus on pursuing higher margin civil and infrastructure related jobs as well selective specialised building projects to improve overall construction margin.*

3. Among the 2016 corporate highlights in the Chairman's Statement, they included the Group's E and C Division new construction contracts valued in excess of RM2 billion and its outstanding order book of RM4.8 billion.

Q3(a): ***What are the Board's initiatives to pare down the Groups' borrowings stood at RM2.982 billion as at 31 December 2016 (2015: RM2.593 billion)?***

Answer: *The de-gearing initiatives of the group are summarised as follows:*

(i) Undertaking fund raising exercises comprising private placement of up to 125 million new shares to raise up to RM228 million cash and exercise of up to 163.62million WCT Warrants D which are expiring in December 2017 to raise up to RM279.80million

(ii) Intensify the sales of the Group's unsold property stocks to raise up to RM500 million by mid 2018; and

(iii) Implement assets monetization and assets disposals program to raise cash for repayment of loans.

Q3(b): ***Considering the lower than expected construction margins, the slower than expected property sales market and the higher than expected administrative, operating expenses, what are the sustainability measures put in place in ensuring the Group's satisfactory bottom-line results for 2017?***

Answer: *The measures put in place in ensuring the Group's satisfactory bottom-line results for 2017 are as follows:*

(i) To focus on pursuing higher margin civil and infrastructure related jobs as well selective specialised building projects to improve overall construction margin;

(ii) To intensify sales of the Group's unsold property stocks and prepare new projects to be launched in 2018 onwards;

(iii) To improve the yields on the Group's investment assets via various asset enhancement initiatives; and

(iv) To reduce the gearing level of the Group and interest cost.

4. In note 48 to the Financial Statements on pages 190-191 of the Annual Report, it was reported that both the DIFC Court and the Dubai Civil Court have proposed stay of the Meydan's application pending the outcome of Meydan's Union Supreme Court Application.

Q4(a) ***Could the Board enlighten shareholders the grounds of its management beliefs based on the legal opinion stated under Note 48?***

Answer: *The Management believes the prospects of successfully enforcing the Award are good as the reasons for Meydan to challenge the Arbitral Award are limited and those limited reasons are not applicable in our case.*

Q4(b) ***What are the likely consequences impacting on the contingent assets described in Note 43 amounting to RM802.331 million (2015:RM768.975 million) should the outcome of the legal proceedings turns out otherwise to the Company?***

Answer: *Should the outcome of the legal proceedings turn out otherwise to the Company, the contingent assets described in Note 43 will not materialise.*

Corporate Governance

We noted that under Resolution 10, the Board is seeking shareholders' approval for the payment of Directors' fees of RM216,000 for FY2016. However, there is no resolution for benefits payable to the Directors for FY2017.

Pursuant to Section 230(1) of the Companies Act 2016, the payment of the Directors' fees and any other benefits payable to the Directors including any compensation for loss of employment of a Director or former Director of a listed company and its subsidiaries shall be approved at a general meeting.

As there is no resolution tabled to seek shareholders' approval for payment of Directors' benefits for FY2017, does it mean that the Group would not be paying such benefits to the Directors until the next AGM in 2018 when the approval is obtained from shareholders.

Answer:

We are seeking the shareholders' approval on the payment of Director' fees and benefits payable to the Directors of the Company and its subsidiaries for the period commencing from 1st January 2017 until the conclusion of the next AGM of the Company to be held in June 2018 via Resolution 10 (b) as per the Amended Notice of 6th AGM which has been separately despatched to all shareholders of the Company on 9th May 2017.

Kindly please refer to Item 6 (ii) of the Amended Notice of 6th AGM and Resolution 10 (b) of the Amended Form of Proxy which despatched to all shareholders on 9th May 2017.