

WCT Holdings Berhad
(Company No. 930464-M)
Incorporated in Malaysia

SUMMARY OF KEY MATTERS DISCUSSED AT THE SEVENTH ANNUAL GENERAL MEETING (“7th AGM”) OF THE COMPANY HELD AT BALLROOM 1, LEVEL 2, NEW WORLD PETALING JAYA HOTEL, PARADIGM, NO. 1, JALAN SS7/26A, KELANA JAYA, 47301 PETALING JAYA, SELANGOR DARUL EHSAN ON WEDNESDAY, 6 JUNE 2018 AT 10.00 A.M.

At the 7th AGM, the Company’s Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors’ and Auditors’ thereon was duly received by the members. All ordinary resolutions with the exception of Ordinary Resolutions 12, 13, 14 and 15 pertaining to the proposed granting of share options to the Company’s Independent Non-Executive Directors which had been withdrawn, that tabled for voting by way of poll at the 7th AGM were duly approved by the shareholders.

The Company’s responses to the questions raised by the Minority Shareholder Watchdog Group vide their letter dated 1 June 2018, the questions raised from the floor which were duly answered by the Chairman and the Executive Board as well as the result of the poll are as follows:

(A) Responses to questions raised by the Minority Shareholder Watchdog Group (“MSWG”)

Strategy and Financial Matters

1. ***The Engineering and Construction segment recorded revenue and operating loss of RM1.39 billion and RM32.8 million respectively as compared to RM1.57 billion and an operating profit of RM74.0 million respectively in the preceding year (Page 14 of the Annual Report 2017).***

Q1: *How does the Board plan to address this decline in the operating results? What is the likelihood of a turnaround for FY2018? Please explain.*

Answer: *The lower revenue recorded in 2017 was mainly due to lower contribution from the building projects. Revenue from building projects decrease by 76% or RM694 million. However the decrease in contribution from building projects was partly offset by higher contribution from the Group’s infrastructure projects of RM425 million.*

The operating loss in the financial year 2017 was mainly due to :-

- (i) Impairment of amount due from a contract customer in Qatar of RM164.6 million; and*
- (ii) Unrealised foreign exchange loss of RM20.5 million.*

Excluding these items, the Group’s operating profit is higher at RM152.3 million.

The Group expects the operating results of the Engineering and Construction segment in FY2018 to improve as compared to FY2017 in line with the higher composition of infrastructure related jobs which gives a better profit margin.

The Group’s outstanding order book of over RM5 billion comprising over 90% of infrastructure related jobs will provide a stronger earnings base for FY2018.

For the first financial quarter ended 31 March 2018, the Engineering and Construction segment registered revenue of RM445.8 million as compared to RM383.4 million registered in the corresponding quarter in 2017.

2. Trade receivables and Amount due from a contract customer

Q2(a): *As reported in the Key Audit Matters (page 79 of the Annual Report 2017), the Group has exposure in the form of trade receivable and amount due from contract of a customer of approximately RM196,837,000 and RM93,768,000 respectively (the “Claim”) included in trade receivables. The Claim approximates 16% of the contract sum awarded by the customer and accounts for approximately 15% of trade receivables of the Group.*

Please explain on the recoverability aspects.

Answer: *The Group is in the midst of finalizing the final accounts with this contract customer in Qatar and barring unforeseen circumstances, the Group expects to recover the above trade receivable and amount due from the contract customer within the next 12 to 18 months.*

Q2(b): *During the financial year under review, the Group has recognised an impairment of an amount due from a contract customer in Qatar amounting to RM164.6 million after considering the latest development in the Middle East region. (page 14 of the Annual Report 2017).*

Will there be further impairment in FY2018?

How does the Board intend to recover the amount due from the contract customer in Qatar?

Answer: *There will be no further impairment in FY2018 on this contract.*

The Group is in the midst of finalizing the final contract sum with the contract customer in Qatar. Once the finalization of the contract sum is agreed upon, the Group expects to recover the trade receivables and amount due from the contract customer. The Group would also pursue claims against certain sub-contractors which had failed to perform under their respective sub-contracts.

3. Proposed Acquisition by Skyline Domain Sdn Bhd of 60% equity interest in Subang Skypark Sdn Bhd (SSSB) for a cash consideration of approximately RM44.56 million

The rationale for the acquisition is to enable WCT Group to invest in SSSB which has potential for value enhancement as well as potential for development of the car park area into a mixed commercial development project. It also allows WCT Group to diversify into the ground handling for private aviation business as well as hangarage services (Bursa Malaysia’s announcement dated 2 April 2018).

Q3(a) **What is the Group’s expected return on investment for this acquisition?**

Q3(b) **How will the acquisition complement and enhance value to the Group’s business moving forward?**

Q3(c) **Please brief shareholders on the Group’s capacity and capability to diversify into the abovementioned field.**

Answer: *The expected gross return on investment for the Group’s investment in Subang Skypark is between 8-10% per annum, subject to certain bases and assumptions.*

Currently, the Group has already invested into gateway@klia2 which is an airport mall at klia2. The acquisition of Subang Skypark would immediately allow the Group to develop another airport mall facility supporting the Subang airport, leveraging on the Group’s existing expertise in managing retail malls and airport mall.

Following the acquisition of Subang Skypark by WCT, all the retail operations of Subang Skypark are now directly managed by the Group's existing retail mall management team.

As for the aviation related business, the existing management team at Subang Skypark which is fully capable and competent is still intact following the acquisition by WCT.

- 4. The Group currently has an undeveloped land bank of approximately 950 acres located mainly in the Klang Valley, with some in Johor and Sabah (Page 12 of the Annual Report 2017).**

Q4(a) What is the total gross development value of the land bank?

Q4(b) When does the Group plan to unlock the value of the land bank? How will the future development be carried out i.e. joint venture, partnership, etc?

Answer: The total gross development value of our land bank is currently in excess of RM10 billion which would provide a sustainable revenue and profits to the Group over the next 5-8 years.

The Group intends to unlock the value of the land bank by developing them into residential and commercial properties for sale as well as for investment. For 2018, we are planning to launch 2 property projects in Petaling Jaya and Johor Bahru with a combined gross development value of RM400 million.

Further, to-date, we have outright disposed of 3 parcels of vacant land for a total value of RM116 million, capitalizing on the higher value of the land bank.

- 5. What are the reasons for the significant increase in other expenses by approximately 300% from RM46,393,000 in FY2016 to RM199,430,000 in FY2017 (page 86 of the Annual Report 2017)? Please explain.**

Answer: The significant increase is mainly due to recognition of an impairment of an amount due from a contract customer in Qatar amounting to RM164.6 million as mentioned on Page 14 of the Annual Report FY2017. Excluding this impairment amount which is one-off in nature, the Group's other expenses would have decreased from RM46.4 million in FY2016 to RM34.8 million in FY2017.

- 6. Share of results of joint ventures (page 86 of the Annual Report 2017)**

What are the reasons for the Group to record a higher loss of RM21,965,000 in FY2017 as compared to a loss of RM7,226,000 in FY2016?

Answer: The higher share of loss in FY2017 was mainly due to the higher losses incurred by a joint venture company due to the write down of unsold property stocks (RM11.5 million) and pre-opening operating costs incurred by New World Petaling Jaya Hotel which opened for business in January 2018 amounting to RM9.6 million.

Corporate Governance Matters

1. Proposed Granting of Options to Non-Executive Directors (Resolutions 12-15)

MSWG does not encourage the granting of Employees Share Option Scheme (ESOS) to independent directors and non-executive directors. This is because these directors are there to play an important governance role by virtue of their non-executive positions. Becoming shareholders under an ESOS may place them in a conflict of interest position as they may be distracted by share price considerations when making important corporate decisions.

Directors should be paid adequate fees commensurate with the skills, qualification and experience that they bring to the Board and the amount of time they spend on company matters and the size, complexity and risks associated with the business.

Answer: *The Board takes note of MSWG's views. In this respect, the Board had on 4 June 2018 resolved and decided to withdraw resolutions relating to the granting of share options to the Independent Non-Executive Directors of the Company. As such Resolutions 12 to 15 will not be tabled for voting at the 7th Annual General Meeting of the Company.*

2. Step Up 4.3

The Company in its Corporate Governance Report had stated that it has adopted Step Up 4.3 of MCCG. However, in the explanation column on the application of Step Up 4.3 it was stated that "in the event the Board intends to retain any director as an independent director ("INED") who has served beyond a consecutive or a cumulative term of nine (9) years, relevant approval from the shareholders will be sought at the Company's general meeting. This is contrary to Step Up 4.3 which does not provide for any extension of tenure beyond the 9-year tenure of INEDs. We hope the Board can take note of this.

Answer: *The Board takes note of MSWG's comment and will clarify the matter in its future Corporate Governance Report.*

(B) Questions raised from the floor which were duly answered by the Chairman and the Executive Board

Q1: *There is an impairment of RM164.0 million in respect of a project in Qatar. In view of the relationship issues that Qatar currently has with its neighbor countries, would there be any further impairment?*

Is the project concerned related to road or bridge or grand prix construction project?

How many grand prix project have been successfully completed by WCT and in which year?

Answer: *The Chairman informed that the impairment of RM164.0 million was recognized for a building contract and the Company does not expect any further impairment in financial year 2018 for this contract. The Company is obliged to make a provision if it foresees any losses of any of WCT's businesses. All these matters have been reviewed by the Auditors and they are satisfied with the proper impairment and provision being made against WCT's various businesses including construction contracts.*

The Chairman further added that he would not comment on the situation in Qatar. As far as the Group is concerned, WCT is to perform work in accordance with the contract and the impairment was not due to the political situation in Qatar. As at now, WCT still has presence in Qatar with a view that Qatar is still a stable place.

Mr. Goh Chin Liong informed that WCT had completed 2 grand prix tracks in Middle East with one in Bahrain and one in Abu Dhabi, both had completed many years ago.

Q2: There is an operating profit of RM313.0 million and out of it, RM245.0 million is in respect of fair value adjustment gain registered for Paradigm Mall in Johor Bahru.

Please confirm whether this is the first time WCT registered this fair value gain?

Would the Chairman agree that the operating profit is about RM100 million after taking out the fair value gain?

Answer: The Chairman informed that it is the policy of WCT to revalue all its investment properties on a yearly basis and to take in the value into the account after the valuation regardless the value is up or down.

Yes, it is the first time that WCT registered the fair value gain for Paradigm Mall Johor Bahru as the mall was completed last year. The Chairman further explained that the fair value gain arising from valuation of property is real although unrealised. A property development business does not only to develop residences and sell it to recognise the profit, it can also be developing offices, retail mall and other commercial assets and which could be realised in profit when they are completed.

Q3: Have WCT received the consideration of RM347.0 million for the disposal of the Ascent Tower together with the car park bays?

Answer: As informed by the Chairman, the Company has received the consideration of RM347.0 million.

Q4: Any monetisation plan by injection of more assets into a REIT? Any plan for the land held at Taman OUG so that it could have more or a sizeable assets to pump into the REIT and is there long term strategic plan for this?

Answer: The Chairman responded that the Company has plans in monetisation of its assets and land banks. The Company has sold 3 pieces of lands and would continue to sell any of its assets or land if there are buyers and at a right price. He added that REIT is still part of the monetization plan and it will only be continued once the legal issue on the AEON Mall Bukit Tinggi has been resolved.

The Chairman informed that REIT would be another growth for the Group and is a way for monetising its assets and for recycling capital. The REIT, when it happened, will be managed as a separate entity, added the Chairman.

Q5: Is the management of the New World Petaling Jaya Hotel related to the New World Group in Hong Kong?

Does WCT own the hotel management team for the Première Hotel in Klang?

What is the reason for WCT of not having the same hotel management for either under the management team of New World PJ Hotel or Première Hotel?

Answer: The Management of New World PJ Hotel is part of the New World Development Group from Hong Kong and the Chairman continued that there are pros and cons on the decision to have the hotel managed by its own team or by a specialist operator.

The Chairman explained that as the New World PJ Hotel is positioned as a 5 star hotel, it is a deliberate decision to engage an international hotel operator to manage it as compared to Première Hotel, the own brand of WCT, a more local and suburban type of hotel, which can be managed by its own team of management.

Q6: What is the gearing before and after the receipt of RM177.0 million from the placement of shares? And how much of it being used to pare down the borrowing and for working capital?

Answer: The Chairman responded that the Management recognised the gearing issue of WCT and have plans to reduce the gearing level of WCT over a period of time. The proceeds received from the placement of 100 million shares which can help but cannot reduce the gearing level dramatically. Other plans such as the REIT when it happens, sale of land or property, increase of profit will also help to improve the gearing position of WCT Group.

The Chairman reassured that the Board is very mindful of the gearing issue and will continuously monitor the issue.

Q7: The inventories of WCT Group has increased substantially in the last financial year 2017, please explain on the increase and what is the expectation on the salability of these Inventories?

Answer: It was informed by the Chairman that the increase of the inventories is mainly due to the soft market condition. Efforts have been made to sell the unsold units of products like refreshing the show units, rebranding, re-pricing the unsold stock in order to reflect the market condition, to source for foreign parties who has interest to take up a large plots of the unsold units etc. However, there are some projects like Medini project in Johor, which consist of 1/3 of the total inventories, is facing difficulty to sell those properties.

The Chairman added the Management would continue their efforts and to closely monitor the property market to sell off the inventories.

Q8: To explain on the low revenue of only approximately RM70.0 million generated from the shopping mall businesses for a combined net lettable area of approximately 2.0 million sq. ft.

Answer: The Chairman informed that the revenue of approximately RM77.0 million was generated from Properties Investment and Management comprising AEON Mall Bukit Tinggi, Paradigm Mall Johor Bahru, Malls Management, Hotel and other property businesses of WCT, excluding gateway@klia2 and Paradigm Mall PJ which are jointly controlled entities.

Generally, all the shopping mall businesses are doing well, with a healthy occupancy level and are profitable, added the Chairman.

Q9: How soon would be the legal suit between WCT's subsidiary and AEON Co. (M) Berhad ("AEON") in respect of the AEON Bukit Tinggi Mall would be resolved?

Answer: The Chairman responded that the High Court has ruled in favour of WCT's subsidiary and AEON has appealed the High Court's decision. We have to see to the appeal by AEON.

Q10: Does WCT manage the tenants for gateway@klia2 directly or go through third party? Who decide on the tenants and terms of tenancy?

Answer: The Chairman informed that WCT has its own leasing department to manage the tenants of gateway@klia2. Sometimes, third parties do bring in tenants and commissions are paid to them. The decision on the tenants and the contractual terms for such tenancy are totally made by WCT.

(C) Poll Results

The poll results for Ordinary Resolutions 1 to 11 and 16 which were verified by Symphony Corporatehouse Sdn Bhd, the Independent Scrutineers appointed by the Company, are as follows:

	For		Against	
	No. of Shares	%	No. of Shares	%
Ordinary Resolution 1 Declaration and approval for the payment of a final single tier cash dividend for the financial year ended 31 December 2017	849,773,105	99.9978	19,106	0.0022
Ordinary Resolution 2 Re-election of Tan Sri Marzuki Bin Mohd Noor as a Director of the Company	724,674,714	85.7479	120,447,477	14.2521
Ordinary Resolution 3 Re-election of Mr. Liang Kai Chong as a Director of the Company	841,667,583	99.9978	18,100	0.0022
Ordinary Resolution 4 Re-election of Mr. Ng Soon Lai @ Ng Siek Chuan as a Director of the Company	724,343,031	85.7087	120,779,160	14.2913
Ordinary Resolution 5 Re-appointment of Messrs Ernst & Young as Auditors of the Company	849,773,105	99.9978	19,106	0.0022
Ordinary Resolution 6 Payment of Directors' fees and benefits	729,388,799	85.8314	120,403,412	14.1686
Ordinary Resolution 7 Authority to allot and issue shares	699,258,376	95.5746	32,377,935	4.4254
Ordinary Resolution 8 Proposed Renewal of Share Buy-Back Authority	696,730,831	99.9974	18,100	0.0026
Ordinary Resolution 9 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	602,553,241	99.9948	31,296	0.0052
Ordinary Resolution 10 Proposed Granting of Options to Tan Sri Lim Siew Choon	498,844,354	82.7841	103,740,183	17.2159
Ordinary Resolution 11 Proposed Granting of Options to Dato' Lee Tuck Fook	746,084,661	87.7961	103,707,550	12.2039

(C) Poll Results (Cont'd)

	For		Against	
	No. of Shares	%	No. of Shares	%
Ordinary Resolution 12 Proposed Granting of Options to Tan Sri Marzuki Bin Mohd Noor	Withdrawn*			
Ordinary Resolution 13 Proposed Granting of Options to Datuk Wahab Bin Khalil	Withdrawn*			
Ordinary Resolution 14 Proposed Granting of Options to Dato' Ng Sooi Lin	Withdrawn*			
Ordinary Resolution 15 Proposed Granting of Options to Mr. Ng Soon Lai @ Ng Siek Chuan	Withdrawn*			
Ordinary Resolution 16 Proposed Granting of Options to Mr. Goh Kai Hao	705,930,883	83.9931	134,531,650	16.0069

Notes:

**Resolution 12, 13, 14 and 15 have been withdrawn from being put forward for voting at the Company's 7th AGM as announced by the Company on 4 June 2018.*