



CAPITAL WORLD LIMITED
(Formerly known as Terratech Group Limited)
(Company Registration No: CT-276295)
(Incorporated in the Cayman Islands on 15 March 2013)

UNAUDITED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

Background

Capital World Limited (the “Company” and together with its subsidiaries, the “Group”), formerly known as Terratech Group Limited (“Terratech”), was listed on SGX-ST on 5 May 2017 via a successful reverse takeover (“RTO”) which was completed on 4 May 2017. Please refer to the Company’s circular to shareholders (the “Circular”) dated on 29 March 2017 for the details of the RTO.

Following the completion of the RTO, the Company changed the presentation currency for its financial statements from Singapore Dollars (“S\$”) to Malaysia Ringgit (“RM”). In addition, the Company changed its financial year end from 31 March to 30 June.

Group Level

Following the completion of the RTO, the wholly-owned subsidiary, Capital City Group, is regarded as the accounting acquirer and the Company as the accounting acquiree, for accounting purpose. As such, the consolidated financial statements have been prepared and presented as a continuation of the Capital City Group.

Accordingly, the consolidated financial statements comprising the income statement and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows for the second quarter ended 31 December 2017 have been presented as a continuation of the Capital City Group’s financial results and operations, in accordance with the following:

- 1) the assets and liabilities of the accounting acquirer, Capital City Group, are recognised and measured in the consolidated statement of financial position at their pre-combination carrying amount;
- 2) the assets and liabilities of the accounting acquiree, the Company, are recognised and measured in accordance with their acquisition date fair value;
- 3) the retained earnings and other equity balances recognised in the consolidated financial statements of the Group are the retained earnings and other equity balances of the Capital City Group immediately before the RTO;
- 4) the amount recognised in the issued equity interest in the consolidated financial statements of the Group is computed by adding the issued equity of Capital City Group immediately before the RTO to the fair value of the consideration effectively transferred based on the share price of the Company at the acquisition date. However, the equity structure presented in the consolidated financial statements of the Group (i.e. the number and type of equity instruments issued) shall reflect the equity structure of the Company, including the equity instruments issued by the Company to effect the combination; and
- 5) the comparative figures presented in these consolidated financial statements of the Group are those of consolidated financial statements of the Capital City Group.

Following the completion of the RTO, the principal business of the Group are those of Capital City Group, which is principally in property development whilst disclosure requirements as at the date of this announcement have been prepared on the basis as a non-mineral, oil and gas company. The consolidated financial statements of the Group have been prepared using the reverse acquisition accounting.

Company Level

Reverse acquisition accounting applies only to the consolidated financial statements at the Group level. As such, the investment in Capital City Group recorded in the Company's financial statements is accounted for at cost less accumulated impairment losses, if any.

Notes

- i) The Group's consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the second quarter ended 31 December 2017 refer to the enlarged group which included the results of Capital City Group from 1 October 2017 to 31 December 2017 and the result of Capital World Limited from 1 October 2017 to 31 December 2017.
- ii) The Group's consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the second quarter ended 31 December 2016 refer to the results of Capital City Group from 1 October 2016 to 31 December 2016.
- iii) The Group's consolidated statement of financial position as at 31 December 2017 and 30 June 2017 refer to the consolidated statement of financial position of the enlarged group comprising Capital City Group and Capital World Limited.
- iv) The Company's statement of financial position as at 31 December 2017 and 30 June 2017 refer to that of the Company.
- v) The Company's statement of changes in equity for the second quarter ended 31 December 2017 and 31 December 2016 respectively refer to that of the Company.

PART I INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a). An income statement and statement of comprehensive income, or a statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | Group | | | Group | | |
|---|----------------------------------|-------------|--------|-----------------------------|-------------|--------|
| | Second quarter ended 31 December | | | Half year ended 31 December | | |
| | 2017 | 2016 | Change | 2017 | 2016 | Change |
| | (unaudited) | (unaudited) | | (unaudited) | (unaudited) | |
| | RM'000 | RM'000 | % | RM'000 | RM'000 | % |
| Revenue | 45,952 | 17,977 | 156 | 90,109 | 45,657 | 97 |
| Cost of sales | (11,639) | (3,216) | 262 | (24,135) | (8,175) | 195 |
| Gross profit | 34,313 | 14,761 | 132 | 65,974 | 37,482 | 76 |
| Other income | 278 | 299 | (7) | 670 | 491 | 36 |
| Selling and distribution expenses | (1,793) | (1,039) | 73 | (3,410) | (3,174) | 7 |
| General and administrative expenses | (9,179) | (1,739) | 428 | (13,292) | (2,994) | 344 |
| Finance costs | (60) | - | n.m. | (62) | (2) | 3,000 |
| Profit before tax | 23,559 | 12,282 | 92 | 49,880 | 31,803 | 57 |
| Income tax expense | (6,155) | (3,131) | 97 | (12,798) | (7,944) | 61 |
| Profit after tax | 17,404 | 9,151 | 90 | 37,082 | 23,859 | 55 |
| Other comprehensive income: | | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | | |
| Exchange differences arising from translation of foreign operations | 12 | (8) | n.m. | (341) | (7) | 4,771 |
| Other comprehensive income, net of tax | 12 | (8) | n.m. | (341) | (7) | 4,771 |
| Total comprehensive income, net of tax | 17,416 | 9,143 | 90 | 36,741 | 23,852 | 54 |
| Profit attributable to: | | | | | | |
| Owners of the Company | 17,412 | 9,151 | 90 | 37,123 | 23,859 | 56 |
| Non-controlling interests | (8) | - | n.m. | (41) | - | n.m. |
| | 17,404 | 9,151 | 90 | 37,082 | 23,859 | 55 |
| Total comprehensive income attributable to: | | | | | | |
| Owners of the Company | 17,424 | 9,143 | 91 | 36,782 | 23,852 | 54 |
| Non-controlling interests | (8) | - | n.m. | (41) | - | n.m. |
| | 17,416 | 9,143 | 90 | 36,741 | 23,852 | 54 |

n.m. denotes not meaningful

1(a). A An income statement and statement of comprehensive income, or a statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year. (continued)

| Group | | | Group | | |
|----------------------------------|-------------|--------|-----------------------------|-------------|--------|
| Second quarter ended 31 December | | | Half year ended 31 December | | |
| 2017 | 2016 | Change | 2017 | 2016 | Change |
| (unaudited) | (unaudited) | | (unaudited) | (unaudited) | |
| RM'000 | RM'000 | % | RM'000 | RM'000 | % |

Profit for the year is arrived at after charging / (crediting):

| | | | | | | |
|---|-------|-------|-------|-------|-------|-------|
| Interest income | (118) | (121) | (2) | (413) | (239) | 73 |
| Depreciation of property, plant & equipment | 760 | 63 | 1,106 | 1,539 | 126 | 1,121 |
| Amortisation of intangible assets (mining rights) | 839 | - | n.m. | 1,632 | - | n.m. |
| Amortisation of deferred expenditure | 308 | - | n.m. | 1,548 | 909 | 70 |
| Interest expense | 59 | 6 | 883 | 61 | 8 | 663 |
| Write off of property, plant and machinery | 258 | - | n.m. | 258 | - | n.m. |

n.m. denotes not meaningful

1(b)(i). A statement of financial position (for the Issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

| | Group | | Company | |
|---|---|---------------------------------------|---|---------------------------------------|
| | As at 31.12.17 (unaudited) RM'000 | As at 30.06.17 (audited) RM'000 | As at 31.12.17 (unaudited) RM'000 | As at 30.06.17 (audited) RM'000 |
| Current assets | | | | |
| Inventory properties | 177,766 | 175,839 | - | - |
| Inventories | 13,750 | 13,417 | - | - |
| Deferred expenditure | 5,797 | 8,242 | - | - |
| Trade receivables | 28,618 | 26,755 | - | - |
| Unbilled receivables | 1,728 | 813 | - | - |
| Other receivables, deposits and prepayments | 9,624 | 9,401 | 228 | 395 |
| Amounts due from subsidiaries | - | - | 42,156 | 32,308 |
| Fixed deposits | 6,462 | 12,946 | - | - |
| Cash on hand and at banks | 11,889 | 10,495 | 1,430 | 3,388 |
| | <u>255,634</u> | <u>257,908</u> | <u>43,814</u> | <u>36,091</u> |
| Non-current assets | | | | |
| Inventory properties | 104,785 | 94,244 | - | - |
| Deferred expenditure | 1,023 | 1,080 | - | - |
| Property, plant and equipment | 105,878 | 103,760 | 157 | - |
| Investment property under construction | 157,616 | 142,321 | - | - |
| Intangible assets | 158,462 | 97,109 | - | - |
| Investment in subsidiaries | - | - | 763,225 | 763,223 |
| | <u>527,764</u> | <u>438,514</u> | <u>763,382</u> | <u>763,223</u> |
| Total assets | <u>783,398</u> | <u>696,422</u> | <u>807,196</u> | <u>799,314</u> |
| Current liabilities | | | | |
| Trade payables | 125,152 | 159,377 | - | - |
| Other payables and accruals | 117,821 | 38,126 | 6,418 | 9,477 |
| Provisions | 4,977 | 4,977 | - | - |
| Deferred revenue | 66,029 | 126,995 | - | - |
| Hire purchase payables | 48 | 50 | - | - |
| Loans and borrowings | 34,090 | - | 7,573 | - |
| Provision for taxation | 29,373 | 23,522 | 63 | 23 |
| | <u>377,490</u> | <u>353,047</u> | <u>14,054</u> | <u>9,500</u> |
| Non-current liabilities | | | | |
| Trade payables | 104,736 | 82,620 | - | - |
| Hire purchase payables | 18 | 38 | - | - |
| Loans and borrowings | 4,165 | - | 4,165 | - |
| Deferred tax liabilities | 23,184 | 23,653 | - | - |
| | <u>132,103</u> | <u>106,311</u> | <u>4,165</u> | <u>-</u> |
| Total liabilities | <u>509,593</u> | <u>459,358</u> | <u>18,219</u> | <u>9,500</u> |
| Equity | | | | |
| Share capital | 108,044 | 108,044 | 157,169 | 157,169 |
| Reserves | 165,661 | 128,879 | 631,808 | 632,645 |
| Equity attributable to owners of the Company | <u>273,705</u> | <u>236,923</u> | <u>788,977</u> | <u>789,814</u> |
| Non-controlling interests | 100 | 141 | - | - |
| Total equity | <u>273,805</u> | <u>237,064</u> | <u>788,977</u> | <u>789,814</u> |
| Total equity and liabilities | <u>783,398</u> | <u>696,422</u> | <u>807,196</u> | <u>799,314</u> |

1(b)(ii). In relation to the aggregate amount of the Group's borrowings and debt securities, specify the following at the end of the financial period reported on with comparative figures at the end of the immediately preceding financial year.

| | Group | | | |
|----------------------------------|----------------|-----------|----------------|-----------|
| | As at 31.12.17 | | As at 30.06.17 | |
| | (unaudited) | | (audited) | |
| | RM'000 | | RM'000 | |
| | Secured | Unsecured | Secured | Unsecured |
| Amount repayable within one year | 34,138 | - | 50 | - |
| Amount repayable after one year | 4,165 | - | 38 | - |
| | 38,303 | - | 88 | - |

The loans and borrowings are mainly secured by the following: -

1. Pledge of certain shares by the controlling shareholders.
2. Pledge of the fixed deposits with a licensed bank.

1(c). A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | Group | |
|---|----------------------------------|-------------------------------|
| | Second quarter ended 31 December | |
| | 2017 (unaudited) RM'000 | 2016 (unaudited) RM'000 |
| Cash flows from operating activities | | |
| Profit before tax | 23,559 | 12,282 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 760 | 63 |
| Amortisation of intangible assets | 839 | - |
| Amortisation of deferred expenditure | 308 | 604 |
| Plant and equipment written off | 258 | - |
| Interest income | (118) | (120) |
| Interest expense | 59 | - |
| Operating cash flows before changes in working capital | 25,665 | 12,829 |
| Changes in working capital: | | |
| Inventory properties | (6,891) | (5,920) |
| Inventories | (215) | - |
| Deferred expenditure | 1,228 | (1,453) |
| Trade and other receivables | (5,315) | (20,982) |
| Trade and other payables | (33,194) | 49,245 |
| | (18,722) | 33,719 |
| Interest paid | (59) | - |
| Interest received | 118 | 120 |
| Tax paid | (4,117) | (2,500) |
| Net cash flows (used in) generated from operating activities | (22,780) | 31,339 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (3,271) | (8,524) |
| Acquisition of a subsidiary | (1,200) | - |
| Cash received from acquisition of a subsidiary | 2 | - |
| Expenditure on investment property under construction | (6,518) | (19,621) |
| Net cash flows used in investing activities | (10,987) | (28,145) |
| Cash flows from financing activities | | |
| Loans and borrowings received | 38,630 | - |
| Loans and borrowings repayment | (375) | - |
| Placement of secured deposit | (5,200) | (88) |
| Repayment of hire purchase payables | (4) | (12) |
| Net cash flows generated from/(used in) financing activities | 33,051 | (100) |
| Net (decrease)/increase in cash and cash equivalents | (716) | 3,094 |
| Cash and cash equivalents at beginning of financial year | 13,751 | 19,102 |
| Currency translation differences | 85 | (1) |
| Cash and cash equivalents at end of period | 13,120 | 22,195 |
| Cash and cash equivalents: | As at 31.12.17 | As at 30.12.16 |
| Fixed deposits | 6,462 | 12,799 |
| Cash on hand and at banks | 11,889 | 9,396 |
| | 18,351 | 22,195 |
| Less: Deposits not available for use | (5,231) | - |
| Cash and cash equivalents | 13,120 | 22,195 |

1(d)(i). A statement (for the Issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | Share capital | Share premium | Capital reserve | Merger reserve | Foreign currency translation reserve | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---------------|---------------|-----------------|----------------|--------------------------------------|--------------------|---------|---------------------------|--------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Group (unaudited) | | | | | | | | | |
| Balance as at 01.10.17 | 108,044 | 12,888 | - | 5,000 | (185) | 130,534 | 256,281 | 108 | 256,389 |
| Total comprehensive income for the year | - | - | - | - | 12 | 17,412 | 17,424 | (8) | 17,416 |
| | - | - | - | - | 12 | 17,412 | 17,424 | (8) | 17,416 |
| Balance as at 31.12.17 | 108,044 | 12,888 | - | 5,000 | (173) | 147,946 | 273,705 | 100 | 273,805 |
| Balance as at 01.10.16 | 5,000 | - | - | - | 1 | 55,418 | 60,419 | - | 60,419 |
| Total comprehensive income for the year | - | - | - | - | (8) | 9,151 | 9,143 | - | 9,143 |
| Balance as at 31.12.16 | 5,000 | - | - | - | (7) | 64,569 | 69,562 | - | 69,562 |
| Company (unaudited) | | | | | | | | | |
| | Share capital | Share premium | Capital reserve | Merger reserve | Foreign currency translation reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance as at 01.10.17 | 157,169 | 654,645 | 487 | - | 4,837 | (27,340) | 789,798 | - | 789,798 |
| Total comprehensive loss for the year | - | - | - | - | (671) | (150) | (821) | - | (821) |
| | - | - | - | - | (671) | (150) | (821) | - | (821) |
| Balance as at 31.12.17 | 157,169 | 654,645 | 487 | - | 4,166 | (27,490) | 788,977 | - | 788,977 |
| Balance as at 01.10.16 | 27,649 | 122,109 | 487 | - | - | (29,394) | 120,851 | - | 120,851 |
| Total comprehensive loss for the year | - | - | - | - | - | (2,268) | (2,268) | - | (2,268) |
| Balance as at 31.12.16 | 27,649 | 122,109 | 487 | - | - | (31,662) | 118,583 | - | 118,583 |

1(d)(ii). Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Ordinary shares

| | Number of issued shares | Share capital RM'000 |
|--|------------------------------------|---------------------------------|
| As at 1 July 2017 and 31 December 2017 | 1,268,314,067 | 157,169 |

There was no movement of the Company's share capital during the second quarter ended 31 December 2017.

The Company did not have any outstanding options, convertibles, treasury shares or subsidiary holdings as at 31 December 2017 and 31 December 2016.

1(d)(iii). Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

| | As at 31.12.17 | As at 30.06.17 |
|--|-----------------------|-----------------------|
| Total number of issued shares excluding treasury shares | 1,268,314,067 | 1,268,314,067 |

The Company has no treasury shares as at 31 December 2017 and 30 June 2017 respectively.

1(d)(iv). A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. There were no treasury shares during and as at the end of the current financial period reported on.

1(d)(v). A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There were no subsidiary holdings during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which accounting standard or practice.

The figures have not been audited or reviewed by the Group's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable. The figures have not been audited or reviewed by the Group's auditors.

4. Whether the same accounting policies and methods of computation as in the Issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in preparation of the financial statements for the current reporting period as those used in the most recently annual financial statements for the financial year ended 30 June 2017.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

In the current reporting period, the Group adopted all of the new or revised International Financial Reporting Standards ("IFRS") that are relevant to its operations and are effective for first-time adoption during the current financial year beginning on or after 1 July 2017. The adoption of these new and/or revised IFRS did not result in any substantial changes to the Group's accounting policies and where relevant has no material effect on the financial results for the current financial period reported on.

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

| | Second quarter ended 31 December | |
|---|---|---------------|
| | 2017 | 2016 |
| Profit after tax attributable to owners of the Company (RM'000) | 17,412 | 9,151 |
| Weighted average number of ordinary shares in issue | 1,268,314,067 | 1,071,428,571 |
| (a) Basic earnings per ordinary share (RM cents) | 1.37 | 0.85 |
| (b) Diluted earnings per ordinary share (RM cents) | 1.37 | 0.85 |

The basic and diluted EPS were the same as there were no potentially dilutive ordinary shares in issue as at 31 December 2017 and 31 December 2016.

7. Net asset value (for the Issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the Issuer at the end of the:-

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | As at 31.12.17 | As at 30.06.17 | As at 31.12.17 | As at 30.06.17 |
| Net assets value (RM'000) | 273,705 | 236,923 | 788,977 | 789,814 |
| Number of ordinary shares in issue | 1,268,314,067 | 1,268,314,067 | 1,268,314,067 | 1,268,314,067 |
| Net asset value per ordinary share based on issued share capital (RM cents) | 21.58 | 18.68 | 62.21 | 62.27 |

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:-

- a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

REVIEW OF STATEMENT OF COMPREHENSIVE INCOME OF THE GROUP

Second quarter ended 31 December 2017 ("2Q2018") vs second quarter ended 31 December 2016 ("2Q2017")

The Group's revenue increased by RM28.0 million from RM18.0 million in 2Q2017 to RM46.0 million in 2Q2018 mainly due to higher revenue recognition from the Capital 21 (retail podium component of the Group's mixed development in Johor, Malaysia) and Capital Suites (serviced suites component of the Group's mixed development in Johor, Malaysia), in line with higher percentage of works completed.

Correspondingly, gross profit increased by RM19.5 million from RM14.8 million in 2Q2017 to RM34.3 million in 2Q2018, with a gross profit margin of 74.7% in 2Q2018 as compared to 82.1% in 2Q2017, which was due mainly to the higher construction costs recognised in 2Q2018.

The increase in selling and distribution expenses, comprised mainly sales commission and advertising and promotional expenses, by RM0.8 million from RM1.0 million in 2Q2017 to RM1.8 million in 2Q2018 was due to increase of such advertising and marketing activities for Project Capital City.

The increase in general and administrative expenses of RM7.5 million from RM1.7 million in 2Q2017 to RM9.2 million in 2Q2018 was mainly due to: i) higher payroll related costs from additional headcounts after the RTO; ii) additional depreciation and amortization expenses from the fair value upward adjustments on the plant and equipment and mining rights as a result of the reverse takeover accounting in FY2017; iii) fees relating to the loans and borrowings secured in November 2017; and iv) fees for liaising and sourcing tenants for the mall.

Finance costs were mainly made up of interest expenses relating to bank loan secured in November 2017.

As a result of the aforementioned, the Group recorded a higher net profit of RM17.4 million in 2Q2018 as compared to a net profit of RM9.2 million in 2Q2017.

REVIEW OF STATEMENT OF FINANCIAL POSITION OF THE GROUP

Total assets increased by RM87.0 million from RM696.4 million as at 30 June 2017 to RM783.4 million as at 31 December 2017, mainly due to: i) increase in inventory properties (non-current) and investment properties under construction of RM10.6 million and RM15.3 million respectively, which were in line with higher recognition of completed works; and ii) increase in intangible assets of RM61.3 million, which was mainly the result of acquisition of a subsidiary for a landed housing township development (Pengerang project), for an amount of RM63.0 million as announced on 23 November 2017.

Total liabilities increased by RM50.2 million from RM459.4 million as at 30 June 2017 to RM509.6 million as at 31 December 2017, mainly due to: i) increase in trade payable (non-current), other payables and accruals (current) of RM101.8 million, which was in turn because of the increased business activities and the remaining unpaid purchase consideration of RM61.8 million per the Sale of Share Agreement relating to the acquisition (Pengerang Project) as announced on 23 November 2017; ii) loans and borrowings of RM38.3 million mainly for the development of Project Capital City; and iii) offset by the decrease in deferred revenue of RM61.0 million as a result of revenue recognition by transferring from the deferred revenue based on percentage of completion method and decrease in trade payable (current) of RM34.2 million due to substantial payment made to the contractor during the current quarter.

The net current liability of RM121.9 million as at 31 December 2017 was due to:

- i) deferred revenue of RM66.0 million which is a non-cash item and to be recognised in the future based on percentage of completion method; and
- ii) the remaining unpaid amount of RM61.8 million arising from the acquisition of a subsidiary in November 2017. Out of RM61.8 million, RM58.0 million is to be paid by utilising twenty per centum (20%) of each net progress claims received commenced from the sixth (6th) stage of the schedule of payment, after a minimum thirty per centum (30%) of the purchase price (of RM63.0 million) amounting to RM18.9 million to be settled in the form of properties and parcels purchased by the vendors.

The Group has taken steps to enhance sales and marketing efforts, and the receivables collection, in addition to explore the potential financing options.

REVIEW OF STATEMENT OF CASH FLOWS OF THE GROUP

In 2Q2018, the Group's net cash used in operating activities amounted to RM22.8 million. This comprised mainly operating cash inflow before working capital changes of RM25.7 million, adjusted for net working capital outflow of RM44.4 million and tax payment of RM4.1 million.

The net working capital outflow of RM44.4 million was mainly due to: i) increase in inventory properties of RM6.9 million; ii) in trade and other receivables of RM5.3 million; and iii) decrease in trade and other payables of RM33.2 million as a result of substantial payment made to the contractors.

Net cash used in investing activities of RM11.0 million in 2Q2018 was due to: i) increase in property, plant and equipment and expenditure on investment property under construction; and ii) RM1.2 million paid as a deposit for the acquisition of a subsidiary as announced in November 2017.

Net cash generated from the financing activities of RM33.1 million in 2Q2018 was due to loans and borrowing of RM38.6 million received in November 2017 for the development of Project Capital City, offset by the placement of the secured deposits of RM5.2 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and actual results.

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

The Malaysia government is taking proactive steps in curbing the imbalance in housing demand and supply with the right policies following Bank Negara Malaysia report, warning that unsold residential properties in Malaysia were at a decade-high level. One of the initiatives include the proposal of lowering the current housing loan interest rate by the government, providing competitive interest rate for the house buyers to secure loans more easily¹.

In addition, Singapore and Malaysia have inked a legally binding bilateral agreement to build a cross-border MRT system, allowing commuters to travel seamlessly between Woodlands and Johor Bahru. The construction is expected to commence in 2019 and to be completed by end of 2024². This is expected to boost the footfall in the shopping malls and tourist attractions in Johor. These positive developments will also augur well for the Group's existing and upcoming development projects in Johor Bahru.

The construction of Project Capital City is well on track. On 13 January 2018, the Group has launched Malaysia's biggest indoor theme park concept in Johor. More significantly, it will be one of the five largest indoor theme parks in the world and is expected to commence operations in 2018, transforming Project Capital City into a one-stop lifestyle and entertainment hub and a potential tourist destination in Johor Bahru which appeals to the local community as well as Singaporeans and foreign visitors.

Going forward, the Group will remain focused on seeking business opportunities to form strategic partnerships and joint ventures with potential landowners and developers in Malaysia as well as in Southeast Asia.

11. If a decision regarding dividend has been made:-

(a) Whether an interim (final) dividend has been declared (recommended); and

None.

**(b)(i) Amount per share (cents)
(Optional) Rate (%)**

Not applicable.

(b)(ii) Previous corresponding period (cents)

(Optional) Rate (%)

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)

Not applicable.

(d) The date the dividend is payable.

Not applicable.

¹ Government proposes lowering housing loans interest rate, <https://www.nst.com.my/news/government-public-policy/2018/01/328749/updated-government-proposes-lowering-housing-loan>

² Singapore, Malaysia ink bilateral agreement to build Rapid Transit System Link by 2024, <http://www.straitstimes.com/singapore/singapore-malaysia-ink-bilateral-agreement-to-build-rtm-link-by-2024?login=true>

(e) The date on which Registrable Transfers receive by the Group (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended for the first quarter ended 30 September 2017.

13. If the Group has obtained a general mandate from shareholders for interested person transactions (“IPT”) the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company had obtained a general mandate for IPTs from shareholders at an extraordinary general meeting held on 27 October 2017. Save as disclosed below, there were no IPTs that exceeded S\$100,000 during the financial period under review.

| Name of Interested Persons and Transactions | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) |
|--|--|--|
| | RM’000 | RM’000 |
| RDC Arkitek Sdn. Bhd. <i>(an associate of Director and controlling shareholder of the Company, for the provision of architectural consultation services in respect of Project Capital City)</i> | 363 | - |

14. Update on use of proceeds.

As disclosed in the Company’s annual report 2017, the gross proceeds raised from the share placement of S\$5.2 million had been fully utilized by the Group according to the intended use.

15. Confirmation pursuant to Rule 705(5) of the Catalist Listing Rule

The Board of Directors of the Company hereby confirms that, to the best of their knowledge, nothing has come their attention which may render the unaudited financial statements for the second quarter and half year ended 31 December 2017 to be false or misleading in any material aspect.

16. Confirmation pursuant to Rule 720(1) of the Catalist Listing Rule

The Company confirms that it has procured undertaking from all its Directors and Executive Officers pursuant to Rule 720(1) of the Catalist Listing Manual.

BY ORDER OF THE BOARD
Siow Chien Fu
Executive Director and Chief Executive Officer
6 February 2018

This announcement has been prepared by the Group and its contents have been reviewed by the Group's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms. Tan Pei Woon, Senior Manager, Continuing Sponsorship (Mailing address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and Email: sponsorship@ppcf.com.sg).