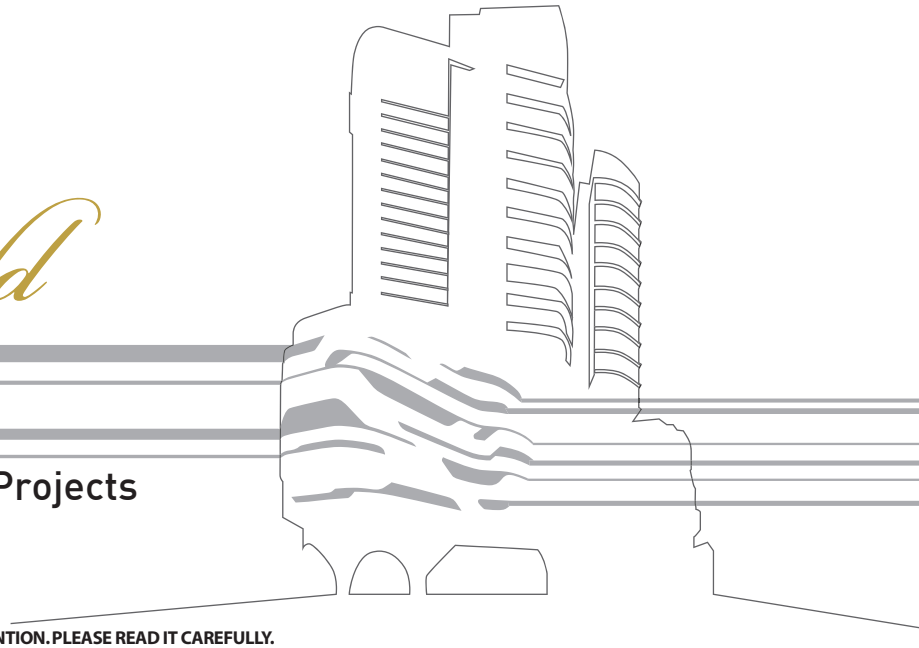


Innovative Developer of Iconic Projects

CIRCULAR DATED 29 MARCH 2017

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL, TAX, OR OTHER PROFESSIONAL ADVISER(S) IMMEDIATELY.

If you have sold or transferred all your ordinary shares (the "**Shares**") in the capital of Terratech Group Limited (the "**Company**"), you should immediately forward this circular ("**Circular**"), the enclosed Notice of EGM (as defined herein) and the accompanying Shareholder Proxy Form and Depositor Proxy Form (both as defined herein) to the purchaser or the transferee, or to the bank, stockbroker or agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

An application has been made to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for permission for the listing and quotation of the Consolidated Shares, the Consideration Shares, and the New Placement Shares (all as defined herein) on Catalist. The listing and quotation notice for the Consolidated Shares, the Consideration Shares and the New Placement Shares (all as defined herein), if issued by the SGX-ST, is not to be taken as an indication of the merits of the Proposed Transactions, the Capital City Group, the Enlarged Group, the Company, the Shares, the Consolidated Shares, the Consideration Shares or the New Placement Shares (all as defined herein).

AS AT THE DATE OF THIS CIRCULAR, THE RESTRUCTURING EXERCISE (AS DEFINED HEREIN AND DESCRIBED IN SECTION 14.1 ENTITLED "GROUP STRUCTURE OF THE CAPITAL CITY GROUP" OF THIS CIRCULAR) HAS NOT BEEN COMPLETED. THE RESTRUCTURING EXERCISE WILL BE COMPLETED BEFORE THE DATE OF THE EXTRAORDINARY GENERAL MEETING OF THE COMPANY.

Neither the Monetary Authority of Singapore ("Authority") nor the SGX-ST has examined or approved the contents of this Circular. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular. Neither the Authority nor the SGX-ST has in any way considered the merits of the shares or units of shares being offered for investment. The lodgement of this Circular with the SGX-ST, acting as agent on behalf of the Authority, does not imply that the SFA (as defined herein), or any other legal or regulatory requirements, or requirements under the Catalist Rules (as defined herein), have been complied with.

Companies listed on Catalist (as defined herein) may carry higher investment risk when compared with larger or more established companies listed on the Main Board (as defined herein) of the SGX-ST. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

This Circular has been prepared by the Company and its contents have been reviewed by the Company's sponsor and financial adviser, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Catalist Rules. The Sponsor has not verified the contents of this Circular. This Circular has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Circular, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Circular.

The contact person for the Sponsor is Mr. Joseph Au, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

Unless otherwise defined, terms appearing in the Cover of this Circular bear the same meanings as defined in this Circular.

YOUR ATTENTION IS DRAWN TO SECTION 13 ENTITLED "RISK FACTORS" OF THIS CIRCULAR WHICH HIGHLIGHTS CERTAIN MATERIAL RISKS RELATING TO THE INTEGRATION OF THE CAPITAL CITY GROUP AND THE GROUP, THE CAPITAL CITY GROUP, ITS BUSINESS AND INDUSTRY AND OWNERSHIP OF THE SHARES FOLLOWING COMPLETION. IN PARTICULAR, SHAREHOLDERS SHOULD NOTE THAT THE CAPITAL CITY GROUP IS SUBJECT TO RISKS ASSOCIATED WITH PROPERTY DEVELOPMENT PROJECTS. SHAREHOLDERS ARE ADVISED TO TAKE THESE FACTORS INTO CONSIDERATION WHEN DECIDING ON THE PROPOSED TRANSACTIONS.

泰石集团 TERRATECH GROUP

TERRATECH GROUP LIMITED
(Incorporated in the Cayman Islands on 15 March 2013)
(Company Registration Number: CT-276295)
(To be renamed as Capital World Limited following the completion of the Proposed Transactions)

CAPITAL WORLD LIMITED

CIRCULAR TO SHAREHOLDERS IN RELATION TO:

(1) THE PROPOSED ACQUISITION OF ALL OF THE ISSUED AND PAID-UP SHARES OF ALTIMATE VENTURES LIMITED, RISE EXPEDITION GLOBAL LIMITED AND FIRST STAR VENTURES LIMITED FOR THE AGGREGATE CONSIDERATION OF S$300,000,000 AND US$400;

(2) THE PROPOSED ALLOTMENT AND ISSUANCE OF THE CONSIDERATION SHARES IN SATISFACTION OF THE CONSIDERATION FOR THE PROPOSED AVL ACQUISITION AND THE NEW PLACEMENT SHARES;

(3) THE PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL OF THE COMPANY FROM S$10,000,000 DIVIDED INTO 1,000,000,000 SHARES OF A NOMINAL OR PAR VALUE OF S$0.01 EACH TO S$100,000,000 DIVIDED INTO 10,000,000,000 SHARES OF A NOMINAL OR PAR VALUE OF S$0.01 EACH;

(4) THE PROPOSED SHARE CONSOLIDATION OF EVERY FOUR (4) ORDINARY SHARES INTO ONE (1) CONSOLIDATED SHARE (FRACTIONAL ENTITLEMENTS TO BE DISREGARDED);

(5) THE PROPOSED WHITEWASH RESOLUTIONS FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM THE OBLIGED PARTIES FOR ALL THE SHARES IN ISSUE NOT ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OBLIGED PARTIES ON COMPLETION;

(6) THE PROPOSED APPOINTMENT OF NEW DIRECTORS UPON COMPLETION;

(7) THE PROPOSED DIVERSIFICATION OF THE CORE BUSINESS OF THE GROUP TO INCLUDE THE BUSINESS OF THE CAPITAL CITY GROUP;

(8) THE PROPOSED CHANGE OF NAME OF THE COMPANY FROM "TERRATECH GROUP LIMITED" TO "CAPITAL WORLD LIMITED"; AND

(9) THE PROPOSED ADOPTION OF A GENERAL MANDATE FOR THE ALLOTMENT AND ISSUANCE OF NEW SHARES.

Sponsor, Financial Adviser and Placement Agent to the Company

PRIME Partners

PrimePartners Corporate Finance Pte. Ltd.
(Incorporated in the Republic of Singapore)
(Company Registration No. 200207389D)

Independent Financial Adviser in respect of the Proposed Whitewash Resolution

XANDAR CAPITAL

Xandar Capital Pte. Ltd.
(Incorporated in the Republic of Singapore)
(Company Registration No. 200002789M)

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Shareholder Proxy Form and Depositor Proxy Form	:	19 April 2017 at 9.00 a.m.
Date and time of Extraordinary General Meeting	:	21 April 2017 at 9.00 a.m.
Place of Extraordinary General Meeting	:	31 Changi South Avenue 2 Singapore 486478

OVERVIEW

Corporate Profile

Capital City Group is an integrated property developer that focuses on working with landowners on a joint venture basis to enhance the value of the landowner's land asset. Based in the Johor region of Malaysia, it undertakes the conception, design and implementation of integrated property projects.

Niche Business Model



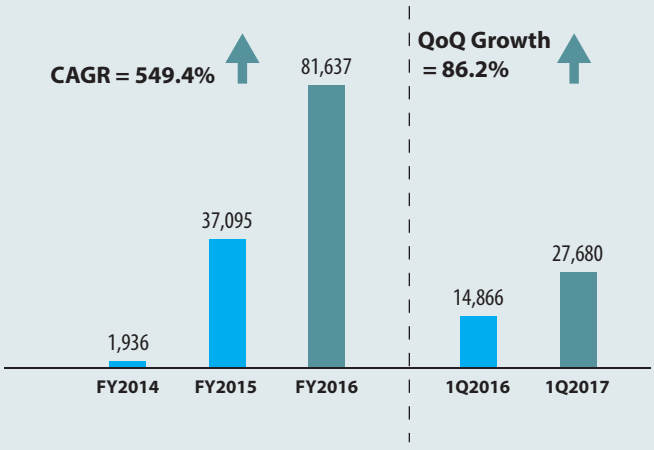
Creates value added property developments for landowners to yield **high investment returns**

Allows Capital City Group to reap significant economic benefits with **low capital outlay**

Does not need to acquire any land banks to support development pipeline

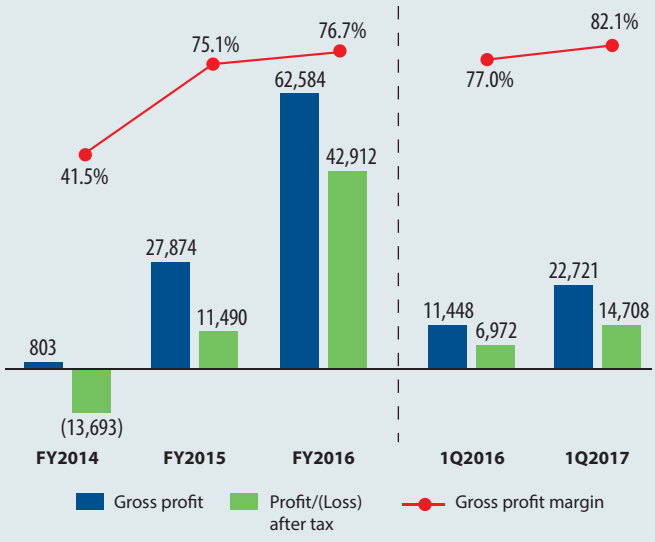
Financial Highlights of Capital City Group

Revenue
RM'000



Financial year end: 30 June
CAGR: Compound annual growth rate
QoQ: Quarter-on-quarter

Profitability
RM'000



CURRENT PROJECT



Project Capital City

Project Capital City is a freehold integrated project which is the first of its kind in the Tampoi region in Johor Bahru.

The project is strategically located along Jalan Tampoi, which links the city centre and residential areas from Nusajaya to the Senai International Airport. It is connected to all major highways and provides easy access to other government-initiated growth areas such as Legoland, Danga Bay Convention Centre and the Tebrau Plentong mixed development areas. Its proximity to Singapore, and centric location to Johor Port and Pelabuhan Tanjung Pelepas port also makes it accessible to expatriates and other foreigners.

Capital 21 was awarded five (5) stars for the category "Best Mixed-Used Development – Malaysia" and was highly commended for the category "Commercial High-Rise Development – Malaysia" at the 2014 Asia Pacific International Property Awards



Capital 21 Mall

- Six (6)-storey thematic mall, featuring themes of famous major cities of the world
- 1,655 retails units
- Ballrooms, club house, world museum, cineplex and children's theme park



Hotel / Serviced Suites

- 16-storey Hilton Garden Inn hotel with 315 hotel rooms
- 18-storey tower comprising 630 units of hotel-style serviced suites



Serviced Apartments

- Three (3) towers
- 15-storey blocks
- 690 units of serviced apartments

UPCOMING PROJECTS



Project Austin

An integrated development comprising a retail mall, office suites, hotel and residential apartments

Location
Tebrau, Johor Bahru

Land size
Approximately 27,670 sq m



Project Sitiawan Wellness Hub

A mixed development focusing on providing health and wellness services

Location
Pengkalan Baharu, Perak

Land size
Approximately 188,062 sq m

COMPETITIVE STRENGTHS

Well-positioned as a property development of integrated property projects on a joint venture basis

- Recognised for its ability to create innovative entertainment and retail concepts
- Low capital outlay and niche business model

Established network of business relationships

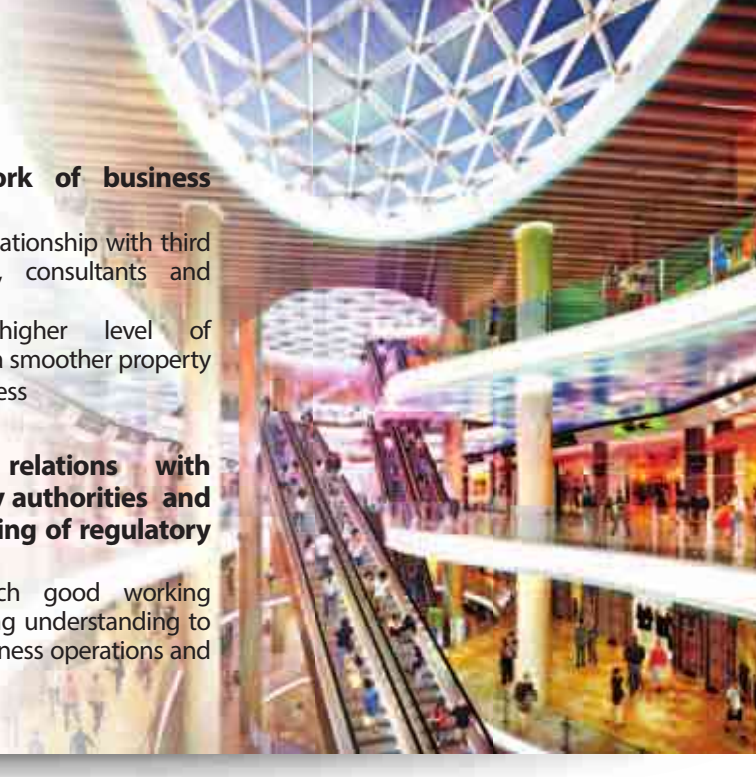
- Strong working relationship with third party contractors, consultants and other professionals
- Benefit from higher level of commitment and a smoother property development process

Strong and experienced management team

- Supported by a strong and experienced management team with relevant experience in property development, construction and project management

Good working relations with regional regulatory authorities and strong understanding of regulatory frameworks

- Leverage on such good working relations and strong understanding to benefit future business operations and projects



BUSINESS STRATEGIES

Completion of Project Capital City and commencement of Project Austin and Project Sitiawan Wellness Hub

- Delivery of Project Capital City
- Commence preparations to launch Project Austin and Project Sitiawan Wellness Hub

Expand and diversify property development project offerings

- Negotiations with potential partners to undertake additional property development projects
- Diversify property development projects portfolio

Realise synergies between Capital City Group's business and Terratech Group's existing marble business

- Opportunities to supply marble products to Capital City Group's projects
- Integration of value chain of the Enlarged Group

INVESTMENT MERITS



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CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Dr. Wang Xiaoning (Non-Executive Chairman) Dr. Loh Chang Kaan (Chief Executive Officer and Executive Director) Mr. Aw Eng Hai (Lead Independent Director) Mr. Tay Yew Khem (Independent Director)
PROPOSED NEW DIRECTORS	:	Mr. Tan Eng Kiat Dominic (Non-Executive Chairman and Independent Director) Mr. Siow Chien Fu (Executive Director and Chief Executive Officer) Mr. Tham Kok Peng (Executive Director) Mr. Aw Eng Hai (Independent Director) Mr. Lye Thiam Fatt Joseph Victor (Independent Director)
COMPANY SECRETARY	:	Lee Pih Peng, MBA, LLB
REGISTERED ADDRESS OF THE COMPANY	:	The offices of Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
PRINCIPAL PLACE OF BUSINESS OF THE COMPANY	:	2 Kaki Bukit Place #07-00 Eunos Techpark Singapore 416180
REGISTERED OFFICE OF AVL, REGL AND FSVL	:	Vistra Corporate Services Centre Wickhams Cay II Road Town, Tortola, VG 1110 British Virgin Islands
PRINCIPAL PLACE OF BUSINESS OF AVL, REGL AND FSVL	:	01-02-01 & 02, Pangsapuri Jentayu Jalan Tampoi, Kawasan Perindustrian Tampoi Johor Bahru, 81200 Johor, Malaysia
NEW PRINCIPAL PLACE OF BUSINESS OF THE COMPANY AFTER COMPLETION	:	01-02-01 & 02, Pangsapuri Jentayu Jalan Tampoi, Kawasan Perindustrian Tampoi Johor Bahru, 81200 Johor, Malaysia
SPONSOR, FINANCIAL ADVISER AND PLACEMENT AGENT	:	**PrimePartners Corporate Finance Pte. Ltd.** 16 Collyer Quay #10-00 Income at Raffles Singapore 049318

AUDITORS TO THE COMPANY	:	**Ernst & Young LLP** One Raffles Quay North Tower, Level 18 Singapore 048583 Partner-in-charge: Low Bek Teng (Chartered Accountant, a member of the Institute of Singapore Chartered Accountants)
INDEPENDENT AUDITORS TO THE CAPITAL CITY GROUP AND REPORTING ACCOUNTANTS TO THE ENLARGED GROUP	:	**Ernst & Young LLP** One Raffles Quay North Tower, Level 18 Singapore 048583 Partner-in-charge: Ng Boon Heng (Chartered Accountant, a member of the Institute of Singapore Chartered Accountants)
LEGAL ADVISER TO THE COMPANY AS TO SINGAPORE LAW	:	**Dentons Rodyk & Davidson LLP** 80 Raffles Place #33-00 UOB Plaza 1 Singapore 048624
LEGAL ADVISER TO THE COMPANY AS TO MALAYSIA LAW	:	**Ilham Lee Advocates & Solicitors** Suite 7.1C, Level 7 Work @ Clearwater, Changkat Semantan, Damansara Heights, 50490 Kuala Lumpur Malaysia
LEGAL ADVISER TO THE COMPANY AS TO CAYMAN ISLANDS LAW AND BRITISH VIRGIN ISLANDS LAW	:	**Conyers Dill and Pearman Pte. Ltd.** 9 Battery Road #20-01 MYP Centre Singapore 049910
LEGAL ADVISER TO THE CAPITAL CITY GROUP	:	**Morgan Lewis Stamford LLC** 10 Collyer Quay Level 27 Ocean Financial Centre Singapore 049315
INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE PROPOSED WHITEWASH RESOLUTIONS	:	**Xandar Capital Pte. Ltd.** 3 Shenton Way #24-02 Shenton House Singapore 068805
SHARE REGISTRAR AND SHARE TRANSFER AGENT	:	**Boardroom Corporate & Advisory Services Pte. Ltd.** 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623

CORPORATE INFORMATION

PRINCIPAL BANKER TO THE COMPANY	:	**United Overseas Bank Limited** 80 Raffles Place UOB Plaza Singapore 048624
PRINCIPAL BANKER TO THE CAPITAL CITY GROUP	:	**United Overseas Bank (Malaysia) Bhd.** Menara UOB Jalan Raja Laut 57038 Kuala Lumpur Malaysia
INDEPENDENT PROPERTY AND BUSINESS VALUER	:	**Suntec Real Estate Consultants Pte Ltd** 9 Temasek Boulevard #06-01 Suntec Tower Two Singapore 038989

Save where the context otherwise requires, the following definitions apply throughout this Circular:

COMPANIES WITHIN THE ENLARGED GROUP

"**AVL**"	:	Altimate Ventures Limited
"**Capital City Group**"	:	AVL, REGL and FSVL and, upon completion of the Restructuring Exercise, their respective wholly-owned subsidiaries, namely CCP and CCMPL (which is a wholly-owned subsidiary of CCP), CCV and CCF, and the term "**Capital City Group Company**" shall be construed accordingly
"**CCF**"	:	Capital City Frontier Sdn. Bhd.
"**CCMPL**"	:	Capital City Management Pte. Ltd.
"**CCP**"	:	Capital City Property Sdn. Bhd.
"**CCV**"	:	Capital City Ventures Sdn. Bhd.
"**Company**"	:	Terratech Group Limited
"**Enlarged Group**"	:	The pro forma enlarged group of companies comprising the Company, its subsidiaries and the Capital City Group immediately following completion of the the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, and "**Enlarged Group Company**" shall refer to any one of them
"**FSVL**"	:	First Star Ventures Limited
"**Group**"	:	The Company and its subsidiaries, as at the Latest Practicable Date
"**REGL**"	:	Rise Expedition Global Limited

COMPANIES, ORGANISATIONS AND OTHER ENTITIES

"**Achwell Property**"	:	Achwell Property Sdn. Bhd.
"**ACIL**"	:	Ample China International Limited
"**Authority**"	:	Monetary Authority of Singapore
"**BNM**"	:	Bank Negara Malaysia
"**CDP**"	:	The Central Depository (Pte) Limited

"**EHSB**"	:	Elit Hartamas Sdn. Bhd.
"**Financial Adviser**", "**Placement Agent**", "**Sponsor**", "**Sponsor, Financial Adviser and Placement Agent**" or "**PPCF**"	:	PrimePartners Corporate Finance Pte. Ltd.
"**FRSB**"	:	Fuyuu Resources Sdn. Bhd.
"**Hatten Asset Management**"	:	Hatten Asset Management Sdn. Bhd.
"**Hatten Group**" and "**Hatten Group Company**"	:	Have the meanings ascribed to them in Section 24.5(A) entitled "Interests of the Proposed Directors, Controlling Shareholders of the Company or their respective associates" of this Circular
"**Hatten International**"	:	Hatten International Pte. Ltd.
"**Hatten Land Group**"	:	Has the meaning ascribed to it in Section 24.5(A) entitled "Interests of the Proposed Directors, Controlling Shareholders of the Company or their respective associates" of this Circular
"**Hatten Properties**"	:	Hatten Properties Sdn. Bhd.
"**Hilton Worldwide**"	:	Hilton Worldwide Manage Limited
"**IFA**" or "**Xandar**"	:	Xandar Capital Pte. Ltd.
"**Independent Property and Business Valuer**" or "**SREC**"	:	Suntec Real Estate Consultants Pte Ltd
"**JBCC**"	:	Johor Bahru City Council
"**Johor Land Office**"	:	Office of Director of Lands and Mines, Johor
"**Mr. Siow's Investment Companies**"	:	Has the meaning ascribed to it in Section 24.5(A) entitled "Interests of the Proposed Directors, Controlling Shareholders of the Company or their respective associates" of this Circular
"**Mr. Siow's Property Development Companies**"	:	Has the meaning ascribed to it in Section 24.5(A) entitled "Interests of the Proposed Directors, Controlling Shareholders of the Company or their respective associates" of this Circular
"**MTSB**"	:	Mara Tegas Sdn. Bhd.

"**PESB**"	:	Permatang Eksklusif Sdn. Bhd.
"**RDC Arkitek**"	:	RDC Arkitek Sdn. Bhd.
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Share Registrar and Share Transfer Agent**"	:	Boardroom Corporate & Advisory Services Pte. Ltd.
"**SIC**"	:	Securities Industry Council
"**TU**"	:	Twin Unitrade Sdn. Bhd.
"**Undertaking Shareholder**" or "**Tritech**"	:	Tritech Group Limited
"**Vendors**"	:	Tritech and ACIL, who, as permitted by the Sponsor and Financial Adviser, are the vendors inviting applications to purchase their Shares pursuant to the Proposed Compliance Placement

GENERAL

"**Achwell JVA**"	:	The joint venture agreement entered into between CCP and Achwell Property on 26 December 2013, which was supplemented by a supplemental agreement dated 31 March 2015 and the Achwell Supplemental Agreement pursuant to which CCP and Achwell Property agreed to derive economic benefit from the development of Project Capital City on a joint venture basis
"**Achwell Supplemental Agreement**"	:	The supplemental agreement to the Achwell JVA entered into between CCP and Achwell Property on 13 March 2017, details of which are set out in Appendix G in this Circular
"**Achwell's Entitlement Sum**"	:	Has the meaning ascribed to it in Appendix G to this Circular
"**ACIL Fees**"	:	S$10,000,000, to be paid to ACIL, an independent third party advising the AVL Shareholders pursuant to the Private Consultancy Agreement
"**ACIL Placement Shares**"	:	Up to 5,000,000 ACIL Shares for which ACIL is inviting applications to purchase pursuant to the Proposed Compliance Placement

"**ACIL Shares**"	:	At the request of the AVL Shareholders, 35,714,285 new fully-paid Consolidated Shares to be allotted and issued by the Company to ACIL at the Issue Price in satisfaction of the ACIL Fees
"**Affiliates**"	:	With respect to any entity or person, all entities which are controlling, controlled by or under common control with such entity or person (including any investment vehicle of such entity or person), or in relation to an individual, his immediate family (being spouses, parents, children and siblings), as well as any business, company or corporation which they have an interest in, and "**control**" shall mean the power to elect or appoint a majority of directors or to direct the management of the first-mentioned entity, or the ownership of more than 50.0% of the voting rights of the shares or other equity interests or registered capital of such entity
"**AGM**"	:	Annual general meeting of the Company
"**Appraised Value**"	:	The equity valuation of AVL and its Business as set out in the Independent Equity Valuation Certificate issued by SREC pursuant to Rule 1015(3) of the Catalist Rules
"**APSB Approval**"	:	Has the meaning ascribed to it in Appendix G to this Circular
"**Articles of Association**"	:	The Articles of Association of the Company
"**AVL Completion Date**"	:	The completion date of the Proposed AVL Acquisition, being the date falling 10 Business Days after the fulfilment or waiver of certain AVL Conditions Precedent or such other date as the Restated AVL SPA Parties may mutually agree provided always that such date shall fall on the same date as the date of completion of the Proposed Compliance Placement. Please refer to Section 2.2(e)(A) of this Circular for further details
"**AVL Conditions Precedent**"	:	Has the meaning ascribed to it in Section 2.2(d)(A) entitled "AVL Conditions Precedent" of this Circular
"**AVL Consideration**"	:	The aggregate amount of S$300,000,000, being the consideration for the Proposed AVL Acquisition, to be satisfied by the allotment and issuance of the Consideration Shares by the Company to the AVL Shareholders and/or the Nominees and ACIL
"**AVL Directors**"	:	Mr. Siow, Mr. Colin Tan and Mr. Edwin Tan

"**AVL Disclosure Letter**"	:	The disclosure letter (and such supplemental letter(s) thereto) disclosing information constituting exceptions to the warranties from the AVL Shareholders to the Company pursuant to the Restated AVL SPA, being in form and substance satisfactory to the Company at the Company's reasonable discretion
"**AVL Guarantee**"	:	Has the meaning ascribed to it in Section 26(a) entitled "Material Contracts" of this Circular
"**AVL Shares**"	:	Ordinary shares of AVL
"**AVL Shareholders**"	:	Mr. Siow, Mr. Colin Tan and Mr. Edwin Tan
"**AVL Undertaking**"	:	Has the meaning ascribed to it in Section 26(a) entitled "Material Contracts" of this Circular
"**Back-Stop Date**"	:	The back-stop date for the satisfaction of the AVL Conditions Precedent set out in the Restated AVL SPA, the REGL Conditions Precedent set out in the REGL SPA and the FSVL Conditions Precedent set out in the FSVL SPA, being 9 June 2017 (unless otherwise extended by agreement of the parties to the respective agreements)
"**Board**", "**Directors**" or "**Current Board**"	:	The board of directors of the Company as at the date of this Circular comprising: (a) Dr. Wang Xiaoning; (b) Dr. Loh Chang Kaan; (c) Mr. Aw Eng Hai; and (d) Mr. Tay Yew Khem For avoidance of doubt, the Directors are deemed independent for the purposes of the Proposed Whitewash Resolutions
"**Business**"	:	The business of the Capital City Group, encompassing the conception, design and implementation of integrated property development projects
"**Business Day**"	:	A day (other than a Saturday or Sunday or a public holiday) on which commercial banks are open for business in Singapore and the state of Johor, Malaysia
"**BVI**"	:	British Virgin Islands

"**CA 1965**"	:	The Companies Act of Malaysia 1965, as may be amended, varied or supplemented from time to time
"**Capital 21**"	:	Has the meaning ascribed to it in Section 12.3(b) entitled "Project Capital City and the Achwell JVA" of this Circular
"**Capital City Group Directors**"	:	The AVL Directors, the REGL Directors and the FSVL Directors
"**Catalist**"	:	The sponsor-supervised listing platform of the SGX-ST
"**Catalist Rules**"	:	The rules in the Listing Manual Section B: Rules of Catalist of the SGX-ST, as may be amended, varied or supplemented from time to time
"**Cayman Companies Law**"	:	The Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"**CCF Land Asset**"	:	The five (5) pieces of leasehold land situated in Mukim Pengkalan Baharu, Daerah Manjung, in the State of Perak, Malaysia, with an area of approximately 154,892 sq m registered in the name of PESB and the 238 pieces of leasehold land situated in Mukim Pengkalan Baharu, Daerah Manjung, in the State of Perak, Malaysia, with an area of approximately 33,170 sq m registered in the name of MTSB, on which Project Sitiawan Wellness Hub will be located on, the details of which are set out in Section 2.1 entitled "Sale and purchase agreements" of this Circular
"**CCF Shares**"	:	Ordinary shares in the issued and paid-up share capital of CCF
"**CCP Land Asset**"	:	The freehold land held under H.S.(D) 547601, PTB 24274, Mukim Bandar Johor Bahru, Daerah Johor Bahru, Negeri Johor, Malaysia, with an area of approximately 40,851.932 sq m registered in the name of Achwell Property, on which Project Capital City is located on, the details of which are set out in Section 2.1 entitled "Sale and purchase agreements" of this Circular
"**CCP Shares**"	:	Ordinary shares in the issued and paid-up share capital of CCP
"**CCV Land Asset**"	:	The freehold land held under GRN 536945, Lot 46115 (previously held under H.S.(D) 473434, PTD 69517), Mukim Tebrau, Daerah Johor Bahru, Negeri Johor, Malaysia, with an area of approximately 27,670 sq m registered in the name of EHSB, on which Project Austin will be located on, the details of which are set out in Section 2.1 entitled "Sale and purchase agreements" of this Circular

"**CCV Shares**"	:	Ordinary shares in the issued and paid-up share capital of CCV
"**CEO**"	:	Chief Executive Officer
"**CFO**"	:	Chief Financial Officer
"**Circular**"	:	This circular to Shareholders dated 29 March 2017
"**Code**"	:	The Singapore Code on Take-overs and Mergers, as may be amended, varied or supplemented from time to time
"**Completion**"	:	Completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition
"**Completion Date**"	:	The date of completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition or such other date as the respective parties to the Restated AVL SPA, REGL SPA or FSVL SPA may agree to, provided always that such date shall fall on the same date as the date of completion of the Proposed Compliance Placement
"**Consideration**"	:	The aggregate sum of S$300,000,000 and US$400, being the aggregate consideration for the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, comprising the aggregate of the AVL Consideration, the REGL Consideration and the FSVL Consideration
"**Consideration Shares**"	:	The aggregate of 1,071,428,569 new Consolidated Shares (inclusive of the ACIL Shares and the Investment Shares) to be allotted and issued by the Company to the AVL Shareholders and/or the Nominees and ACIL at the Issue Price, in satisfaction of the AVL Consideration
"**Consolidation Books Closure Date**"	:	The time and date to be determined by the Board after consultation with the Sponsor and Financial Adviser for compliance with the relevant Catalist Rules, at and on which the Register of Members and share transfer books of the Company will be closed to determine the entitlements of Consolidated Shares of Shareholders under the Proposed Share Consolidation
"**Consolidated Shares**"	:	The consolidated Shares after completion of the Proposed Share Consolidation, being shares in the capital of the Company with a nominal or par value of S$0.04 each

"**Controlling Shareholder**"	:	A person who (as defined in the Catalist Rules): (a) holds directly or indirectly 15.0% or more of the nominal amount of all voting shares in the company (unless otherwise determined by the SGX-ST); or (b) in fact exercises control over a company
"**Deed**"	:	The amending and restatement deed dated 6 January 2017 entered into between the Restated AVL SPA Parties to amend and restate in its entirety the terms of the SPA, such that the Company acquires all of the issued and paid-up shares in AVL instead of CCP
"**Depositor Proxy Form**"	:	The proxy form attached to this Circular to be used by depositor(s) (being corporations) and/or depositor(s) (being individuals who are unable to attend the EGM personally) who wish to appoint person(s) to attend the EGM and vote on its/his/her behalf
"**Effective Trading Date**"	:	The date on which the Consolidated Shares will trade on the SGX-ST in board lots of 100 Consolidated Shares
"**EHSB JVA**"	:	The joint venture agreement entered into between CCV and EHSB on 9 November 2016 pursuant to which CCV and EHSB agreed to derive economic benefit from the development of Project Austin on a joint venture basis
"**EGM**"	:	The extraordinary general meeting of the Company, notice of which is set out on pages N-1 to N-6 of this Circular
"**Enlarged Share Capital**"	:	S$50,732,562.80, comprising 1,268,314,070 Consolidated Shares of a nominal or par value of S$0.04 each, being the enlarged issued and paid-up share capital of the Company after the Proposed Share Consolidation, the allotment and issuance of the Consideration Shares and the Proposed Compliance Placement
"**EPS**"	:	Earnings per Share
"**Existing Business**"	:	The existing business of the Group, being the exploration, development, quarrying, extraction and removal of marble from the quarry located in Kelantan, Malaysia, and the commercial sale of marble and marble products
"**FC**"	:	Financial Controller
"**First Announcement**"	:	The announcement of the proposed acquisition of CCP made by the Company on the First Announcement Date

"**First Announcement Date**"	:	9 June 2016, being the date of the First Announcement
"**FSVL Completion Date**"	:	The completion date of the Proposed FSVL Acquisition, being the date falling 10 Business Days after the fulfilment or waiver of certain FSVL Conditions Precedent or such other date as the FSVL SPA Parties may mutually agree provided always that such date shall fall on the same date as the date of completion of the Proposed Compliance Placement. Please refer to Section 2.2(e)(C) of this Circular for further details
"**FSVL Conditions Precedent**"	:	Has the meaning ascribed to it in Section 2.2(d)(C) entitled "FSVL Conditions Precedent" of this Circular
"**FSVL Consideration**"	:	The aggregate amount of US$200, being the consideration for the Proposed FSVL Acquisition, to be satisfied in cash to the FSVL Shareholders
"**FSVL Directors**"	:	Mr. Siow and Mr. Tham
"**FSVL Disclosure Letter**"	:	The disclosure letter (and such supplemental letter(s) thereto) disclosing information constituting exceptions to the warranties from the FSVL Shareholders to the Company pursuant to the FSVL SPA, being in form and substance satisfactory to the Company at the Company's reasonable discretion
"**FSVL Shares**"	:	Ordinary shares of FSVL
"**FSVL Shareholders**"	:	Mr. Siow and Mr. Tham
"**FSVL SPA**"	:	The sale and purchase agreement dated 6 January 2017 entered into between the FSVL SPA Parties in relation to the Proposed FSVL Acquisition
"**FSVL SPA Parties**"	:	Parties to the FSVL SPA, namely the Company and the FSVL Shareholders
"**General Share Issue Mandate**"	:	The existing general share issue mandate of the Company obtained at the AGM of the Company held on 26 July 2016, which authorises the Directors to allot and issue new Shares in accordance with, and subject to, the provisions of Rule 806 of the Catalist Rules
"**GDV**"	:	The aggregate of the gross Individual Unit Selling Price of Units

"**Governmental Body**"	:	Any: (a) nation, federation, state, county, city, town, province, village, district or other jurisdiction of any nature; (b) national, federal, state, local, municipal, foreign or other government; (c) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official or entity or any other tribunal; (d) statutory authority, quasi-statutory or regulatory authority, governmental department, commission, board or bureau; (e) multi-national organisation or body; or (f) court, tribunal, securities council, stock exchange or anybody exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature
"**Hatten Group Business**"	:	Has the meaning ascribed to it in Section 24.5(A) entitled "Interests of the Proposed Directors, Controlling Shareholders of the Company or their respective associates" of this Circular
"**HDA**"	:	Housing Development (Control and Licensing) Act 1966 of Malaysia, as may be amended, varied or supplemented from time to time
"**Hotel**"	:	Has the meaning ascribed to it in Section 12.3(b) entitled "Project Capital City and the Achwell JVA" of this Circular
"**IFA Letter**"	:	The letter from Xandar to the Directors in relation to the Proposed Whitewash Resolutions as set out in Appendix A to this Circular
"**Independent Directors**"	:	The independent directors of the Company from time to time and as at the date of this Circular, refers to Mr. Aw Eng Hai and Mr. Tay Yew Khem
"**Independent Shareholders**"	:	Shareholders who are considered independent for the purpose of the Proposed Whitewash Resolutions
"**Independent Equity Valuation Certificate**"	:	The independent equity valuation certificate dated 29 March 2017 prepared by SREC as set out in Appendix F to this Circular

"**Individual Unit Selling Price**"	:	The selling price of each Unit as reflected in the sale and purchase agreement between CCP, Achwell Property and the purchaser, or the fair value of a Retained Unit established in accordance with the Achwell JVA, or the selling price of an Unsold Unit established in accordance with the Achwell JVA, as the case may be
"**Investment Shares**"	:	The 32,142,857 Consideration Shares, to which the AVL Shareholders shall sell or procure its sale to ACIL
"**Issue Price**"	:	The issue price of S$0.28 per Consideration Share
"**Key Resolutions**"	:	The key resolutions in this Circular, being Ordinary Resolution 1 relating to the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, Ordinary Resolution 2 relating to the Proposed Share Issue, Ordinary Resolution 3 relating to the Siow Whitewash Resolution, Ordinary Resolution 4 relating to the Tan Concert Parties Whitewash Resolution, Ordinary Resolution 5 relating to the Proposed Increase in Authorised Share Capital, Ordinary Resolution 6 relating to the Proposed Share Consolidation, Ordinary Resolution 7 Relating to the Proposed Diversification of Core Business and Ordinary Resolution 8 relating to the proposed appointment of Mr. Siow as Proposed Director and "**Key Resolution**" shall mean any one of them
"**Latest Practicable Date**"	:	17 March 2017, being the latest practicable date prior to the lodgement of this Circular with the SGX-ST acting as agent on behalf of the Authority
"**LPS**"	:	Loss per Share
"**Main Board**"	:	The main board of the SGX-ST
"**Management Agreement**"	:	The management agreement dated 19 March 2015 entered into between CCP and Hilton Worldwide for the provision of certain development services for Project Capital City and for the appointment of Hilton Worldwide as manager to manage the operations of the hotel under the "Hilton Garden Inn" brand upon the terms and conditions therein
"**Market Day**"	:	A day on which the SGX-ST is open for trading in securities
"**Minimum Issue Price**"	:	The minimum issue price, pursuant to Rule 429 of the Catalist Rules, of S$0.20 for each share offered for subscription or sale, for which a listing is sought
"**Minimum Public Float**"	:	Has the meaning ascribed to it in Section 5.1 entitled "The Proposed Compliance Placement" of this Circular

"**New Board**"	:	The new board of directors of the Company to be appointed after Completion comprising the Proposed Directors
"**New Directors**"	:	Mr. Siow, Mr. Tham, Mr. Dominic Tan and Mr. Victor Lye
"**New Name**"	:	Has the meaning ascribed to it in Section 7.1 entitled "Proposed Change of Name" of this Circular
"**New Placement Shares**"	:	Up to 26,000,000 new Consolidated Shares, to be allotted and issued pursuant to the Proposed Compliance Placement for the purpose of meeting the Minimum Public Float
"**New Share Certificates**"	:	Has the meaning ascribed to it in Section 4.5(b) entitled "Deposit of share certificates with CDP" of this Circular
"**Nominee**" or "**Nominees**"	:	Such party or parties as each AVL Shareholder shall be entitled to nominate by notice in writing to the Company to receive the Consideration Shares
"**Notice of EGM**"	:	The notice to Shareholders of the EGM as set out on pages N-1 to N-6 of this Circular
"**NTA**"	:	Net tangible assets
"**Obliged Parties**"	:	(a) Mr. Siow, his Nominees and/or parties acting in concert with him; and (b) the Tan Concert Parties, their Nominees and/or parties acting in concert with each of them
"**Ordinary Resolutions**"	:	Ordinary Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 12, and "**Ordinary Resolution**" shall mean any one of them
"**PDPA 2010**"	:	Personal Data Protection Act 2010 of Malaysia, as may be amended, varied or supplemented from time to time
"**Perak JVA**"	:	The joint venture agreement entered into between CCF, PESB and MTSB on 7 December 2016 pursuant to which CCF, PESB and MTSB agreed to derive economic benefit from the development of Project Sitiawan Wellness Hub on a joint venture basis
"**Period Under Review**"	:	FY2014, FY2015, FY2016 and 3M2017
"**Placement Share Account**"	:	The share issue account to be opened by the Company for purposes of receipt of the placement proceeds arising from the Proposed Compliance Placement

"**Placement Shares**"	:	Up to 64,750,000 Consolidated Shares, comprising the New Placement Shares, the ACIL Placement Shares and the Tritech Placement Shares
"**PRC**"	:	People's Republic of China
"**Private Consultancy Agreement**"	:	The private consultancy agreement entered into between the AVL Shareholders and ACIL on 1 May 2016 and supplemented by a memorandum dated 6 January 2017, appointing ACIL as a private consultant to the AVL Shareholders for personal value enhancement
"**Project Austin**"	:	The planned mixed development in Tebrau, Johor Bahru, Malaysia, to be undertaken by CCV in accordance with the terms of the EHSB JVA on the CCV Land Asset
"**Project Capital City**"	:	The planned integrated development comprising a retail mall, hotel, serviced suites and serviced apartments on the CCP Land Asset, and such other composition of the development as may be amended and approved by the relevant Governmental Body from time to time
"**Project Sitiawan Wellness Hub**"	:	The planned mixed development in Pengkalan Baharu, Perak, Malaysia, to be undertaken by CCF in accordance with the terms of the Perak JVA on the CCF Land Asset
"**Property Valuation Certificate**"	:	The independent property valuation letter dated 30 September 2016 prepared by SREC as set out in Appendix E to this Circular
"**Proposed Appointment of New Directors**"	:	The proposed appointment of the New Directors to the New Board following Completion
"**Proposed AVL Acquisition**"	:	The proposed acquisition by the Company of all of the issued and paid up shares of AVL from the AVL Shareholders for the AVL Consideration pursuant to the terms and conditions of the Restated AVL SPA
"**Proposed Change of Financial Year End**"	:	The proposed change of the financial year end of the Company from 31 March to 30 June
"**Proposed Change of Name**"	:	The proposed change of name of the Company from "Terratech Group Limited" to "Capital World Limited"
"**Proposed Compliance Placement**"	:	The proposed compliance placement of the Placement Shares for the purpose of meeting the Minimum Public Float at an issue price to be determined by the Company in consultation with the Sponsor, Financial Adviser and the Placement Agent

"**Proposed Directors**"	:	The new Directors proposed to be appointed to or remain on the Board following the Completion, namely Mr. Siow, Mr. Tham, Mr. Aw Eng Hai, Mr. Dominic Tan and Mr. Victor Lye
"**Proposed Diversification of Core Business**"	:	The proposed diversification of the core business of the Group to include the Business
"**Proposed Executive Directors**"	:	The new executive directors proposed to be appointed to the Board upon the completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition
"**Proposed Executive Officers**"	:	The new executive officers proposed to be appointed to the Company upon the completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition
"**Proposed FSVL Acquisition**"	:	The proposed acquisition by the Company of all of the issued and paid up shares of FSVL from the FSVL Shareholders for the FSVL Consideration pursuant to the terms and conditions of the FSVL SPA
"**Proposed Increase in Authorised Share Capital**"	:	The proposed increase in authorised share capital of the Company from S$10,000,000 divided into 1,000,000,000 Shares of a nominal or par value of S$0.01 each to S$100,000,000 divided into 10,000,000,000 Shares of a nominal or par value of S$0.01 each
"**Proposed Independent Directors**"	:	The new independent Directors proposed to be appointed to or remain on the Board upon the completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition
"**Proposed REGL Acquisition**"	:	The proposed acquisition by the Company of all of the issued and paid up shares of REGL from the REGL Shareholders for the REGL Consideration pursuant to the terms and conditions of the REGL SPA
"**Proposed Share Consolidation**"	:	The proposed consolidation of every four (4) existing Shares of a nominal or par value of S$0.01 each as at the Consolidation Books Closure Date into one (1) Consolidated Share of a nominal or par value of S$0.04 each
"**Proposed Share Issue**"	:	The proposed allotment and issuance of the Consideration Shares and the New Placement Shares
"**Proposed Share Issue Mandate**"	:	Has the meaning ascribed to it in Section 8 entitled "The Proposed Share Issue Mandate" of this Circular

"**Proposed Transactions**"	:	The Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition, Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed Share Issue, the Proposed Compliance Placement, the Proposed Whitewash Resolutions, the Proposed Appointment of New Directors, the Proposed Diversification of Core Business, the Proposed Change of Name and the Proposed Share Issue Mandate
"**Proposed Whitewash Resolutions**"	:	The Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution
"**REGL Completion Date**"	:	The completion date of the Proposed REGL Acquisition, being the date falling 10 Business Days after the fulfilment or waiver of certain REGL Conditions Precedent or such other date as the REGL SPA Parties may mutually agree provided always that such date shall fall on the same date as the date of completion of the Proposed Compliance Placement. Please refer to Section 2.2(e)(B) of this Circular for further details
"**REGL Conditions Precedent**"	:	Has the meaning ascribed to it in Section 2.2(d)(B) entitled "REGL Conditions Precedent" of this Circular
"**REGL Consideration**"	:	The aggregate amount of US$200, being the consideration for the Proposed REGL Acquisition, to be satisfied in cash to the REGL Shareholders
"**REGL Directors**"	:	Mr. Siow and Mr. Tham
"**REGL Disclosure Letter**"	:	The disclosure letter (and such supplemental letter(s) thereto) disclosing information constituting exceptions to the warranties from the REGL Shareholders to the Company pursuant to the REGL SPA, being in form and substance satisfactory to the Company at the Company's reasonable discretion
"**REGL Shares**"	:	Ordinary shares of REGL
"**REGL Shareholders**"	:	Mr. Siow and Mr. Tham
"**REGL SPA**"	:	The sale and purchase agreement dated 6 January 2017 entered into between the REGL SPA Parties in relation to the Proposed REGL Acquisition
"**REGL SPA Parties**"	:	Parties to the REGL SPA, namely the Company and the REGL Shareholders

"**Relative Proportion**"	:	The percentage ownership of each AVL Shareholder in AVL as stated in the table in Section 15.1 entitled "Shareholding structure of the Capital City Group – AVL" of this Circular
"**Restructuring Announcement**"	:	The announcement of the Deed, the Restated AVL SPA, the REGL SPA and the FSVL SPA made by the Company on 7 January 2017
"**Restated AVL SPA**"	:	The SPA entered into between the Restated AVL SPA Parties as amended and restated by the Deed
"**Restated AVL SPA Parties**"	:	Parties to the Restated AVL SPA, namely the Company and the AVL Shareholders
"**Restructuring Exercise**"	:	The corporate restructuring exercise implemented prior to Completion, pursuant to which the Capital City Group was formed, and details of which are set out in Section 14.1 entitled "Group structure of the Capital City Group" of this Circular
"**Retained Units**"	:	Units which are retained by CCP and are not for sale
"**RPGT**"	:	Real property gains tax
"**Securities Account**"	:	A securities account maintained by a depositor with CDP but does not include a securities sub-account
"**Serviced Apartments**"	:	Has the meaning ascribed to it in Section 12.3(b) entitled "Project Capital City and the Achwell JVA" of this Circular
"**Serviced Suites**"	:	Has the meaning ascribed to it in Section 12.3(b) entitled "Project Capital City and the Achwell JVA" of this Circular
"**SFA**"	:	Securities and Futures Act (Chapter 289) of Singapore, as may be amended, varied or supplemented from time to time
"**SFR**"	:	Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005, as may be amended, varied or supplemented from time to time
"**Shareholder Proxy Form**"	:	The proxy form attached to this Circular to be used by a Shareholder (other than CDP) who wishes to appoint a proxy or proxies to attend the EGM and vote on its/his/her behalf
"**Shareholders**"	:	Registered holders of the Shares in the Register of Members of the Company

"**Shares**"	:	Ordinary shares in the issued and paid-up share capital of the Company, which includes Consolidated Shares. For the avoidance of doubt, unless otherwise referred to as Consolidated Shares, Shares shall mean the ordinary shares of a nominal or par value of S$0.01 each in the capital of the Company prior to the completion of the Proposed Share Consolidation
"**SGXNET**"	:	A system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
"**Siow Whitewash Resolution**"	:	The resolution proposed as Ordinary Resolution 3 in the Notice of EGM which, if passed by Shareholders, would result in a waiver by Shareholders of their rights to receive a mandatory general offer from Mr. Siow and his concert parties
"**SPA**"	:	The sale and purchase agreement dated 9 June 2016 entered into between the Company and Mr. Siow, Mr. Colin Tan and Mr. Edwin Tan in relation to the proposed acquisition of the entire issued and paid-up share capital of CCP
"**Substantial Shareholder(s)**"	:	A person who has an interest in one (1) or more voting shares of a company and the total votes attaching to that share, or those shares, is not less than 5.0% of the total votes attaching to all the voting shares in the company
"**Tan Concert Parties**"	:	Mr. Colin Tan and Mr. Edwin Tan, being brothers, fall within the definition of "Close Relatives" (as defined in Paragraph 5 of the "Definitions" section of the Code), and accordingly, are deemed to be acting in concert with each other.
"**Tan Concert Parties Whitewash Resolution**"	:	The resolution proposed as Ordinary Resolution 4 in the Notice of EGM which, if passed by Shareholders, would result in a waiver by Shareholders of their rights to receive a mandatory general offer from the Tan Concert Parties and their concert parties
"**Tan Shareholders' Deed**"	:	Has the meaning ascribed to it in Section 24.5(A) entitled "Interests of the Proposed Directors, Controlling Shareholders of the Company or their respective associates" of this Circular
"**Tritech Placement Shares**"	:	Up to 33,750,000 Consolidated Shares for which Tritech is inviting applications to purchase pursuant to the Proposed Compliance Placement
"**Units**"	:	The commercial, retail and/or suite units to be developed by CCP within Project Capital City
"**Unsold Units**"	:	Units which have not been sold by CCP

CURRENCIES, UNITS OF MEASUREMENTS AND OTHERS

"**%**"	:	Percentage or per centum
"**3M**"	:	Three (3) months financial period ended or ending 30 September, as the case may be
"**FY**"	:	In relation to the Company, financial year ended or ending 31 March, as the case may be and in relation to the Capital City Group, financial year ended or ending 30 June, as the case may be
"**RM**" and "**RM cents**"	:	Malaysian ringgit and cents respectively
"**S$**" and "**cents**"	:	Singapore dollars and cents respectively
"**sq m**"	:	Square metres
"**US$**"	:	United States dollars

NAME USED		**NAME IN NATIONAL REGISTRATION IDENTITY CARD (NRIC)/PASSPORT**
"**Mr. Colin Tan**"	:	Tan June Teng Colin @ Chen Junting
"**Mr. Dominic Tan**"	:	Tan Eng Kiat Dominic
"**Mr. Edwin Tan**"	:	Tan Ping Huang Edwin @ Chen Binghuang
"**Mr. Kenny Zhang**"	:	Zhang Da
"**Mr. Siow**"	:	Siow Chien Fu
"**Mr. Tham**"	:	Tham Kok Peng
"**Mr. Victor Lye**"	:	Lye Thiam Fatt Joseph Victor

Unless the context otherwise requires:

(a) the terms "**depositor**", "**depository register**" and "**depository agent**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA and the terms "**subsidiary**", "**subsidiary entity**", "**related corporation**", "**related entity**", and "**substantial shareholder**" shall have the meanings ascribed to them in the SFA, SFR and/or the Catalist Rules, as the case may be respectively;

(b) the term "**entity**" includes a corporation, an unincorporated association, a partnership and government of any state, but does not include a trust as defined in the SFA;

(c) the terms "**acting in concert**" and "**whitewash resolution**" shall have the meanings ascribed to them respectively in the Code;

(d) the terms "**associate**", "**associated company**" and "**immediate family**" shall have the meanings ascribed to them respectively in the section entitled "Definitions and Interpretation" of the Catalist Rules;

(e) the terms "**entity-at-risk**" and "**interested person**" shall be persons falling within the scope of the definitions for the same set out in Section 1 of the Fourth Schedule to the SFR or in Chapter 9 of the Catalist Rules (as the case may be);

(f) words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Unless the context otherwise requires any references to persons shall include individuals, bodies corporate (wherever incorporated), unincorporated associations and partnerships;

(g) reference in this Circular to "**Rule**" or "**Chapter**" is a reference to the relevant rule or chapter in the Catalist Rules, unless otherwise stated;

(h) any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Cayman Companies Law, the SFA, the SFR, the Catalist Rules or the Code or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning ascribed to it under the Cayman Companies Law, the SFA, the SFR, the Catalist Rules or the Code or such modification thereof, as the case may be, unless the context otherwise requires;

(i) any reference to a time of a day in this Circular shall be a reference to Singapore time unless otherwise stated;

(j) any reference in this Circular to shares and/or new shares of the Company being allotted and/or allocated to a person includes allotment and/or allocation to CDP for the account of that person;

(k) any discrepancies between the figures listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them; and

(l) headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

EXCHANGE RATES

The exchange rate between RM and S$ as at the Latest Practicable Date is RM3.1678 to S$1.

The following table sets out the average and closing exchange rates for the respective financial years and/or financial periods set out in this Circular. The average exchange rate between RM and S$ is calculated using the average of the exchange rates on the last day of each month during each financial year or financial period.

These exchange rates should not be construed as a representation that the RM amounts actually represent such amounts or could be converted into S$ at the rate indicated or any other rate or at all.

The exchange rates between RM and S$ are extracted from published information by BNM based on their midpoint prices. BNM has not consented to the inclusion of the exchange rates quoted under this section for the purposes of Section 249 of the SFA and is thereby not liable for these exchange rates under Sections 253 and 254 of the SFA. While the Directors have taken reasonable action to ensure that the information is extracted accurately and fairly, and has been included in this Circular in its proper form and context, they have not independently verified the accuracy of the relevant information.

	RM/S$	
Period	**Average**	**Closing**
FY2014	2.5806	2.5719
FY2015	2.6434	2.8032
FY2016	2.9732	2.9886
3M2016	2.9105	3.0890
3M2017	2.9947	3.0293

Source: BNM

The table below sets forth the highest and lowest exchange rates of RM and S$ for each month for the past six (6) completed months prior to the Latest Practicable Date.

	RM/S$	
Month	**Highest**	**Lowest**
September 2016	3.0407	2.9892
October 2016	3.0446	2.9923
November 2016	3.1345	3.0107
December 2016	3.1303	3.0893
January 2017	3.1411	3.0995
February 2017	3.1662	3.1274
March 2017[(1)]	3.1678	3.1388

Source: BNM

Note:

(1) For the period from 1 March 2017 to the Latest Practicable Date.

CAUTIONARY NOTES REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Circular, statements made in the press releases and oral statements that may be made by the Company, the Capital City Group, or each of their respective directors, key executives or employees acting on the Company's or the Capital City Group's behalf, that are not statements of historical fact, constitute "forward-looking statements". Some of these statements can be identified by words that are biased or by forward-looking terms such as "anticipate", "believe", "could", "estimate", "expect", "forecast", "if", "intend", "may", "plan", "possible", "probable", "project", "will", "would" and "should" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Company's, the Capital City Group's and the Enlarged Group's expected financial position, business strategies, plans and prospects are forward-looking statements.

These forward-looking statements and other matters discussed in this Circular, including but not limited to:

- revenue and profitability;
- any expected growth;
- any expected industry prospects and trends;
- planned strategies and future expansion plans;
- other matters that are not historical facts; and
- any other matters discussed in this Circular,

are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's, the Capital City Group's and the Enlarged Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. These risks, uncertainties and other factors are discussed in more details in Section 13 entitled "Risk Factors" of this Circular.

Given the risks and uncertainties that may cause the Company's, the Capital City Group's and the Enlarged Group's actual future results, performance or achievements to be materially different than expected, expressed or implied by the forward-looking statements in this Circular, you are advised not to place undue reliance on those statements which apply only as at the date of this Circular.

None of the Company, the Capital City Group and the Sponsor, Financial Adviser and the Placement Agent or any other person represents or warrants to you that the Company's, the Capital City Group's and the Enlarged Group's actual future results, performance or achievements will be as discussed in those statements. The Company's, the Capital City Group's and the Enlarged Group's actual future results, performance or achievements may differ materially from those anticipated in these forward-looking statements.

Further, the Company, the Capital City Group and the Sponsor, Financial Adviser and the Placement Agent disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future, subject to compliance with all applicable laws and regulations and/or rules of the SGX-ST and/or any regulatory or supervisory body or agency.

TAKE-OVER LIMITS

The Enlarged Group, upon Completion, will be subject to the Catalist Rules regarding corporate disclosure.

The Code regulates the acquisition of ordinary shares of, *inter alia*, corporations with a listing on the SGX-ST, including the Company. Except with the consent of the SIC, where:

(a) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by parties acting in concert with him) carry 30.0% or more of the voting rights of the company; or

(b) any person who, together with parties acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights and such person, or any party acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0% of the voting rights,

such person must extend a mandatory general offer immediately to the shareholders for the remaining shares of the company in accordance with the provisions of the Code. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

In general, the acquisition of instruments convertible into securities which carry voting rights does not give rise to an obligation to make a mandatory general offer under the Code but the exercise of any conversion rights will be considered an acquisition of voting rights for the purposes of the Code.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory general offer under the Code as a result of the Proposed Transactions should consult the SIC and/or their professional advisers.

INDICATIVE TIMETABLE FOR THE PROPOSED TRANSACTIONS

The following indicative timetable assumes the approval for all resolutions proposed at the EGM is obtained on 21 April 2017 and Completion takes place by 4 May 2017:

Last date and time for lodgement of the Shareholder Proxy Form and the Depositor Proxy Form	:	19 April 2017 at 9.00 a.m.
Date and time of the EGM	:	21 April 2017 at 9.00 a.m.
Expected date of suspension of trading of the Shares	:	25 April 2017 at 5.00 p.m.
Expected date of lodgement of the offer information statement in relation to the Proposed Compliance Placement	:	26 April 2017
Expected Consolidation Books Closure Date	:	2 May 2017 at 5.00 p.m.
Expected effective date of the Proposed Share Consolidation	:	3 May 2017
Expected Completion Date and the date of completion of the Proposed Compliance Placement	:	4 May 2017
Expected date of the commencement of trading of the Consolidated Shares, Consideration Shares and New Placement Shares on Catalist	:	5 May 2017 at 9.00 a.m.

Shareholders should note that the dates above which are stated to be "expected" are indicative only and may be subject to change. Please refer to future announcement(s) by the Company on the SGXNET for the exact dates and times of these events. Where necessary, the Company may announce any changes to the timetable through the SGX-ST's website at http://www.sgx.com.

TERRATECH GROUP LIMITED

(Incorporated in the Cayman Islands on 15 March 2013)
(Company Registration Number: CT-276295)

Board of Directors:

Dr. Wang Xiaoning (Non-Executive Chairman)
Dr. Loh Chang Kaan (Chief Executive Officer and Executive Director)
Mr. Aw Eng Hai (Lead Independent Director)
Mr. Tay Yew Khem (Independent Director)

Registered Office:

The offices of Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

29 March 2017

To: Shareholders of Terratech Group Limited

Dear Sir/Madam,

(1) THE PROPOSED ACQUISITION OF ALL OF THE ISSUED AND PAID-UP SHARES OF ALTIMATE VENTURES LIMITED, RISE EXPEDITION GLOBAL LIMITED AND FIRST STAR VENTURES LIMITED FOR THE AGGREGATE CONSIDERATION OF S$300,000,000 AND US$400;

(2) THE PROPOSED ALLOTMENT AND ISSUANCE OF THE CONSIDERATION SHARES IN SATISFACTION OF THE CONSIDERATION FOR THE PROPOSED AVL ACQUISITION AND THE NEW PLACEMENT SHARES;

(3) THE PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL OF THE COMPANY FROM S$10,000,000 DIVIDED INTO 1,000,000,000 SHARES OF A NOMINAL OR PAR VALUE OF S$0.01 EACH TO S$100,000,000 DIVIDED INTO 10,000,000,000 SHARES OF A NOMINAL OR PAR VALUE OF S$0.01 EACH;

(4) THE PROPOSED SHARE CONSOLIDATION OF EVERY FOUR (4) ORDINARY SHARES INTO ONE (1) CONSOLIDATED SHARE (FRACTIONAL ENTITLEMENTS TO BE DISREGARDED);

(5) THE PROPOSED WHITEWASH RESOLUTIONS FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM THE OBLIGED PARTIES FOR ALL THE SHARES IN ISSUE NOT ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OBLIGED PARTIES ON COMPLETION;

(6) THE PROPOSED APPOINTMENT OF NEW DIRECTORS UPON COMPLETION;

(7) THE PROPOSED DIVERSIFICATION OF THE CORE BUSINESS OF THE GROUP TO INCLUDE THE BUSINESS OF THE CAPITAL CITY GROUP;

(8) THE PROPOSED CHANGE OF NAME OF THE COMPANY FROM "TERRATECH GROUP LIMITED" TO "CAPITAL WORLD LIMITED"; AND

(9) THE PROPOSED ADOPTION OF A GENERAL MANDATE FOR THE ALLOTMENT AND ISSUANCE OF NEW SHARES.

1. INTRODUCTION

On 9 June 2016, the Board announced that the Company had, on the same day, entered into the SPA with Mr. Siow, Mr. Colin Tan and Mr. Edwin Tan to acquire the entire issued and paid-up share capital of CCP. On 8 December 2016, the Board announced that the Company had, on the same day, signed a letter of extension with Mr. Siow, Mr. Colin Tan

and Mr. Edwin Tan to amend the SPA to extend the back-stop date from 9 December 2016 to 9 June 2017, in order to provide more time for the fulfilment of certain conditions precedent pursuant to the SPA.

On 7 January 2017, the Board announced that the Company had, on 6 January 2017, entered into the:

(a) Deed with the AVL Shareholders to amend and restate in its entirety the terms of the SPA in the manner set out in the Restated AVL SPA to acquire all of the issued and paid-up shares in AVL instead of CCP as at the AVL Completion Date;

(b) REGL SPA with the REGL Shareholders to acquire all of the issued and paid-up shares in REGL as at the REGL Completion Date; and

(c) FSVL SPA with the FSVL Shareholders to acquire all of the issued and paid-up shares in FSVL as at the FSVL Completion Date,

for the Consideration and in the manner as set out in the Restructuring Announcement.

Pursuant to the Restated AVL SPA, the Company will acquire all of the issued and paid-up shares of AVL, which will, at Completion, hold the entire issued and paid-up share capital of CCP, for the AVL Consideration, to be satisfied by the allotment and issuance of the Consideration Shares to the AVL Shareholders and/or the Nominees and ACIL at the Issue Price.

Pursuant to the REGL SPA, the Company will acquire all of the issued and paid-up shares of REGL, which will, at Completion, hold the entire issued and paid-up share capital of CCV, for the REGL Consideration, to be satisfied in cash to the REGL Shareholders.

Pursuant to the FSVL SPA, the Company will acquire all of the issued and paid-up shares of FSVL, which will, at Completion, hold the entire issued and paid-up share capital of CCF, for the FSVL Consideration, to be satisfied in cash to the FSVL Shareholders.

The Consideration Shares shall represent approximately 86.24% of the enlarged share capital of the Company upon completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition but before the Proposed Compliance Placement.

As the relative figures under Rule 1006(c) and 1006(d) of the Catalist Rules exceed 100.0% in respect of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, and given that the AVL Shareholders will hold approximately 80.79% of the enlarged issued share capital of the Company immediately after the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition but before the Proposed Compliance Placement, a change in control of the Company will arise as a result, and the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition would constitute a "Reverse Takeover" transaction pursuant to Chapter 10 of the Catalist Rules, and is subject to Shareholders' approval.

An application has been made to the SIC and SIC has granted the Obliged Parties a waiver of the requirement to make a mandatory general offer for Shares in issue not already owned or controlled by the Obliged Parties, subject to various conditions including, *inter alia*, the appointment of the IFA to advise Independent Shareholders on the Proposed Whitewash Resolutions and the Independent Shareholders' approval of the Proposed Whitewash Resolutions.

In connection and simultaneous with the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, the Company also intends to undertake the Proposed Compliance Placement.

The Company has appointed PPCF as its Sponsor and Financial Adviser in respect of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition and Placement Agent in respect of the Proposed Compliance Placement and Xandar as the IFA to the Directors in relation to the Proposed Whitewash Resolutions.

The purpose of this Circular is to explain the reasons for, and to provide Shareholders with relevant information relating to the Proposed Transactions as well as to seek Shareholders' approval at the forthcoming EGM for the same.

Inter-Conditionality

Shareholders should note that:

(a) the Key Resolutions are inter-conditional. This means that if any one of the Ordinary Resolution 1 relating to the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, Ordinary Resolution 2 relating to the Proposed Share Issue, Ordinary Resolution 3 relating to the Siow Whitewash Resolution, Ordinary Resolution 4 relating to the Tan Concert Parties Whitewash Resolution, Ordinary Resolution 5 relating to the Proposed Increase in Authorised Share Capital, Ordinary Resolution 6 relating to the Proposed Share Consolidation, Ordinary Resolution 7 relating to the Proposed Diversification of Core Business and Ordinary Resolution 8 relating to the proposed appointment of Mr. Siow as Proposed Director are not approved, the other Key Resolutions will not be duly passed;

(b) Ordinary Resolution 9 relating to the proposed appointment of Mr. Tham as Proposed Director, Ordinary Resolution 10 relating to the proposed appointment of Mr. Dominic Tan as Proposed Director, Ordinary Resolution 11 relating to the proposed appointment of Mr. Victor Lye as Proposed Director and Ordinary Resolution 12 relating to the Proposed Share Issue Mandate are conditional upon the passing of the Key Resolutions; and

(c) Special Resolution 1 relating to the Proposed Change of Name is conditional upon the passing of the Key Resolutions.

The Key Resolutions are inter-conditional as the subject matter of the Key Resolutions are substantially related, being projects intended to be collectively acquired by the Group in its diversification into the property development business. As Mr. Siow is a founding shareholder and part of the executive management of the Capital City Group, the inter-conditionality of the proposed appointment of Mr. Siow as Proposed Director with the

other Key Resolutions underscores his key involvement in the business operations, strategic planning and management of the projects of the Enlarged Group upon Completion.

This Circular has been prepared solely for the purposes set out herein and may not be relied upon by any persons (other than the Shareholders to whom this Circular is despatched by the Company) or for any other purpose.

The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

2. DETAILS OF THE PROPOSED AVL ACQUISITION, THE PROPOSED REGL ACQUISITION AND THE PROPOSED FSVL ACQUISITION

2.1 Sale and purchase agreements

On 9 June 2016, the Company entered into the SPA with Mr. Siow, Mr. Colin Tan and Mr. Edwin Tan for the purchase by the Company of the entire issued and paid-up share capital of CCP.

On 7 January 2017, the Board announced that the Company had, on 6 January 2017, entered into the:

(a) Deed with the AVL Shareholders to amend and restate in its entirety the terms of the SPA in the manner set out in the Restated AVL SPA to acquire all of the issued and paid-up shares of AVL instead of CCP as at the AVL Completion Date;

(b) REGL SPA with the REGL Shareholders to acquire all of the issued and paid-up shares of REGL as at the REGL Completion Date; and

(c) FSVL SPA with the FSVL Shareholders to acquire all of the issued and paid-up shares of FSVL as at the FSVL Completion Date,

for the Consideration and in the manner as set out in the Restructuring Announcement.

AVL, REGL and FSVL were incorporated in the BVI as business companies on 23 November 2016, 9 September 2016 and 8 December 2016 respectively. AVL, REGL and FSVL will, at Completion, be the holding companies of CCP, CCV and CCF respectively. CCP, CCV and CCF are primarily engaged in the Business, and the current operations and sole ongoing project of the Capital City Group is Project Capital City, which is undertaken by CCP. Project Austin and Project Sitiawan Wellness Hub shall be undertaken by CCV and CCF respectively and are still in their initial stages of development.

CCP

CCP was incorporated in Malaysia on 14 June 2013 and is primarily engaged in the Business. CCP had, on 26 December 2013, entered into the Achwell JVA with Achwell Property, pursuant to which CCP and Achwell Property agreed to derive economic benefit from Project Capital City on a joint venture basis in accordance with the terms and conditions of the Achwell JVA.

Achwell Property is a property investment and development company incorporated in Malaysia on 2 February 1993 and is a wholly-owned subsidiary of Gadang Holdings Berhad ("**Gadang**"), a company listed on the Bursa Malaysia Securities Berhad since 2 September 1994. Gadang and its subsidiaries (collectively, the "**Gadang Group**") are engaged in the businesses of civil engineering and construction, property development, water supply, mechanical and electrical engineering services and oil palm plantation. The Gadang Group had acquired the CCP Land Asset in 1997.

Achwell Property is the owner of the CCP Land Asset, details of which are set out below:

Title number	Leasehold/ freehold	Location	Category of land use	Area of land (sq m)
H.S.(D) 547601, PTB 24274	Freehold	Mukim Bandar Johor Bahru, Daerah Johor Bahru, Negeri Johor, Malaysia	Building[(1)(2)]	40,851.932

Notes:

(1) Express conditions stated on the title of the CCP Land Asset are as follows:

(i) The land shall be used as a multi-storey building for a commercial purpose, to be built according to plans approved by the relevant local authority.

(ii) All the dirt and pollution as a result of these activities should be channelled/removed to places as specified by the relevant local authority.

(iii) All policies and requirements that have been established and enforced from time to time by the relevant local authority must be complied with.

Restrictions-in-interest stated on the title of the CCP Land Asset are as follows:

(i) Landowner is not allowed to offer for sale units (parcels) of the building to be erected on the land unless construction of the building has already commenced in accordance with plans approved by the relevant local authority.

(ii) Parcels of the building erected on this land which have been transferred to a Bumiputera/a Bumiputera company, shall not later be sold, leased or transferred by any means to a non-Bumiputera/a non-Bumiputera company without prior approval of the State Authority.

(iii) Parcels of the building erected on this land shall not be sold or transferred by any means to a non-citizen/a foreign company without the prior approval of the State Authority.

The Legal Adviser to the Company as to Malaysia Law has advised the Company that the landowner is responsible under law to ensure that the express conditions and restrictions-in-interest imposed on the title of the CCP Land Asset are complied with. Failure to fulfil any of the express conditions imposed on the title of the CCP Land Asset shall constitute a breach of condition and shall render the landowner liable to a fine of not more than RM500 and a further fine of not more than RM100 for each day that the breach continues and/or the land shall be liable to forfeiture to the State Authority. In respect of transactions that do not comply with the restrictions-in-interest imposed by the State Authority, such transactions will be rendered null and void and will be incapable of registration. A breach of any express condition resulting in the

forfeiture of the land will result in a fundamental breach of the terms of the Achwell JVA. In such instance, CCP is entitled to terminate the Achwell JVA and take all such actions as may be necessary to claim damages or seek other remedies for any losses incurred arising out of such termination.

(2) A registrar's caveat ("**Registrar's Caveat**") registered on 8 December 2014 and bearing presentation no. 41199/2014 is endorsed on the title of the CCP Land Asset as there is an outstanding payment owing to the Director of Lands and Mines, Johor ("**RC Amount**"). The Registrar's Caveat is endorsed on the title as CCP has yet to fully settle the whole sum of the RC Amount. The RC Amount is to be paid in instalments subject to the completion of certain milestones in respect of Project Capital City.

The Registrar's Caveat shall, so long as it continues in force, have the effect of prohibiting the registration, endorsement or entry on the document of title of:

(i) any instrument of dealing;

(ii) any claim to the benefit of a tenancy exempt from registration; and

(iii) any lien holder's caveat.

The prohibition imposed by the Registrar's Caveat shall apply to any such instrument notwithstanding that it was presented for registration before the Registrar's Caveat was entered.

The Registrar's Caveat does not prohibit the entry into sale and purchase agreements by CCP with the individual purchasers of the Units in Project Capital City. The effect of the Registrar's Caveat is to prohibit any form of dealings on the CCP Land Asset (which does not extend to including the entry into sale and purchase agreements with individual end-purchasers). In the event of the transfer of the title of the CCP Land Asset and/or the transfer of the individual sub-divided titles to the end-purchasers of the Units in Project Capital City, the Registrar's Caveat will prohibit such transfer from taking place.

The Registrar's Caveat will ordinarily be removed within seven (7) days after the relevant authorities have been presented with the relevant documents evidencing full payment of the RC Amount. As at the date of this Circular, CCP has made payment for the first three (3) instalment amounts of the RC Amount equivalent to approximately RM1.1 million. In respect of the fourth and final instalment of the RC Amount, such payment is not due as this final instalment shall be based on the final GDV value, which is in turn still subject to, *inter alia*, the final review and approval of the relevant authorities.

The CCP Land Asset was formed through the amalgamation of 84 pieces of land owned by Achwell Property and, save for the Registrar's Caveat, is currently unencumbered. Based on historical government and approval documents in respect of the CCP Land Asset including, *inter alia*, the government layout plan for the Tampoi region, the plot ratio of the CCP Land Asset was up to 4.0 prior to the commencement of Project Capital City. Subsequent project approvals issued by the relevant authorities have been granted on the basis that the agreed plot ratio indicated therein is within the land plot ratio limit. Accordingly, there has not been any change to the plot ratio requirement for Project Capital City.

Apart from quit rent (payable to the Johor State Authority/Johor Land Office), assessment rates (payable to the local authority, i.e. the JBCC) and premiums that may be payable to the Johor Land Office for applications to deal with the CCP Land Asset to facilitate the development of Project Capital City, the Legal Adviser to the Company as to Malaysia Law has advised the Company that they are not aware of any other taxes, rates or outgoings payable in respect of the CCP Land Asset.

Based on the latest bills for quit rent and assessment rates in respect of the CCP Land Asset furnished by CCP, the Legal Adviser to the Company as to Malaysia Law has noted that: (i) there are no outstanding payments to-date; and (ii) all payments of quit rent and assessment rate for the entire year of 2017 have been settled. In respect of premiums payable for land that is imposed on the CCP Land Asset, the Legal Adviser to the Company as to Malaysia Law is not aware of any other premiums payable to the land office, apart from the RC Amount in respect of the Registrar's Caveat.

Based on documents provided by CCP including, amongst others, copies of the land title of, and the independent land searches conducted on, the CCP Land Asset, the Legal Adviser to the Company as to Malaysia Law has advised the Company that Achwell Property has legal and beneficial title to the CCP Land Asset.

The CCP Land Asset is located at Tampoi, Johor Bahru, which is approximately 20 minutes' drive from the Johor Bahru Customs, Immigration and Quarantine complex (CIQ), and is connected to major highways, such as the Skudai Highway (Lebuhraya Skudai), Pasir Gudang Highway and Tebrau Highway.

Please refer to Section 12.3(b) entitled "Project Capital City and the Achwell JVA" of this Circular for more information on the CCP Land Asset and Project Capital City.

CCV

CCV was incorporated in Malaysia on 27 September 2016 and is primarily engaged in the Business. CCV had, on 9 November 2016, entered into the EHSB JVA with EHSB, pursuant to which CCV and EHSB agreed to derive economic benefit from Project Austin on a joint venture basis in accordance with the terms and conditions of the EHSB JVA.

EHSB is a property investment and development company incorporated in Malaysia on 1 April 2010. EHSB is privately owned by two (2) individuals residing in Malaysia who have held the CCV Land Asset for over five (5) years.

EHSB is the owner of the CCV Land Asset, details of which are set out below:

Title number	Leasehold/ freehold	Location	Category of land use	Area of land (sq m)
GRN 536945, Lot 46115 (previously held under H.S(D) 473434 PTD 69517)	Freehold	Mukim Tebrau, Daerah Johor Bahru, Negeri Johor, Malaysia	Building(1)	27,670

Note:

(1) Express conditions stated on the title of the CCV Land Asset are as follows:

(i) The land shall be used as a multi-storey building for a commercial purpose, to be built according to plans approved by the relevant local authority.

(ii) All the dirt and pollution as a result of these activities should be channelled/removed to places as specified by the relevant local authority.

(iii) All policies and requirements that have been established and enforced from time to time by the relevant local authority must be complied with.

Restrictions-in-interest stated on the title of the CCV Land Asset are as follows:

(i) Landowner is not allowed to offer for sale units (parcels) of the building to be erected on the land unless construction of the building has already commenced in accordance with plans approved by the relevant local authority.

(ii) Strata titles (once the ownership of this land has been sub-divided and strata titles have been issued) which have been transferred to a Bumiputera/a Bumiputera company, shall not later be sold, leased or transferred by any means to a non-Bumiputera/a non-Bumiputera company without prior approval of the State Authority.

(iii) Strata titles shall not be sold or transferred by any means to a non-citizen without the prior approval of the State Authority.

The Legal Adviser to the Company as to Malaysia Law has advised the Company that the landowner is responsible under law to ensure that the express conditions and restrictions-in-interest imposed on the title of the CCV Land Asset are complied with. Failure to fulfil any of the express conditions imposed on the title of the CCV Land Asset shall constitute a breach of condition and shall render the landowner liable to a fine of not more than RM500 and a further fine of not more than RM100 for each day that the breach continues and/or the land shall be liable to forfeiture to the State Authority. In respect of transactions that do not comply with the restrictions-in-interest imposed by the State Authority, such transactions will be rendered null and void and will be incapable of registration. A breach of any express condition resulting in the forfeiture of the land will result in a fundamental breach of the terms of the EHSB JVA. In such instance, CCV is entitled to terminate the EHSB JVA and take all such actions as may be necessary to claim damages or seek other remedies for any losses incurred arising out of such termination. Under the terms of the EHSB JVA, CCV shall also be indemnified by EHSB against any damage, claims or losses suffered by CCV arising from the termination of the EHSB JVA.

The CCV Land Asset is currently unencumbered. Based on confirmations from the REGL Shareholders and the Legal Adviser to the Company as to Malaysia Law, the aforementioned express conditions and restrictions-in-interest stated on the title of the CCV Land Asset are commonly found on land titles earmarked for development and which are granted by the State Authority. As at the Latest Practicable Date, there has been no development carried out on the CCV Land Asset. In the event that any variation of the express conditions or restrictions-in-interest stated on the title of the CCV Land Asset is required in furtherance of the development of Project Austin, the landowner will be required to apply to the State Authority for such variation, and this will typically involve a payment of a premium and/or other charges to the State Authority. The Proposed Directors do not expect there to be any material negative implications on the Enlarged Group arising from such variations, if any.

Based on documents provided by CCV including, amongst others, copies of the land title of, and the independent land searches conducted on, the CCV Land Asset, the Legal Adviser to the Company as to Malaysia Law has advised the Company that EHSB has legal and beneficial title to the CCV Land Asset.

CCF

CCF was incorporated in Malaysia on 2 December 2016 and is primarily engaged in the Business. CCF had, on 7 December 2016, entered into the Perak JVA with PESB and MTSB, pursuant to which CCF, PESB and MTSB agreed to derive economic benefit from Project Sitiawan Wellness Hub on a joint venture basis in accordance with the terms and conditions of the Perak JVA.

PESB is an investment holding company incorporated in Malaysia on 1 November 1997. MTSB is a property investment company incorporated in Malaysia on 17 April 1997. Both PESB and MTSB are privately owned by two (2) individuals residing in Malaysia who have held the CCF Land Asset for over 10 years.

PESB and MTSB are the owners of the CCF Land Asset, details of which are set out below:

Titles number	Leasehold/ freehold	Location	Category of land use	Area of land (sq m)
PN 361249, Lot 12616 PN 361251, Lot 12318 PN 361252, Lot 12319 PN 361253, Lot 12320 PN 361254, Lot 12321[(1)]	Leasehold (expiring on 5 June 2068 (60 years))	Mukim Pengkalan Baharu, Daerah Manjung, Negeri Perak, Malaysia	Industrial[(3)]	154,892
As set out in Appendix G to this Circular[(2)]	Leasehold (expiring on 29 December 2102 (99 years))	Mukim Pengkalan Baharu, Daerah Manjung, Negeri Perak, Malaysia	Building[(4)]	33,170

Notes:

(1) These five (5) titles are registered in the name of PESB.

(2) There are 238 titles registered in the name of MTSB.

(3) Express conditions stated on the title of the CCF Land Asset registered in the name of PESB:

(i) Light industrial – industrial lot.

(ii) Heavy industrial – electrical substation.

Restrictions-in-interest stated on the title of the CCF Land Asset registered in the name of PESB are as follows:

(i) The land can only be transferred, leased or charged to a party that has obtained a written State Authority approval.

(4) Based on land search results conducted on 10 pieces of land out of 238 pieces of land which form the CCF Land Asset registered in the name of MTSB, express conditions stated on the title of the CCF Land Asset registered in the name of MTSB include:

(i) Residential – one residential home; and

(ii) Commercial – shop lot building.

Based on land search results conducted on 10 pieces of land out of 238 pieces of land which form the CCF Land Asset registered in the name of MTSB, the following restriction-in-interest is stated on the title of the CCF Land Asset registered in the name of MTSB:

(i) The land cannot be transferred or leased without a written approval from the State Authority.

The Legal Adviser to the Company as to Malaysia Law has advised the Company that the landowners are responsible under law to ensure that the express conditions and restrictions-in-interest imposed on the titles of the CCF Land Asset are complied with. Failure to fulfil any of the express conditions imposed on the titles of the CCF Land Asset shall constitute a breach of condition and shall render the landowners liable to a fine of not more than RM500 and a further fine of not more than RM100 for each day that the breach continues and/or the land shall be liable to forfeiture to the State Authority. In respect of transactions that do not comply with the restrictions-in-interest imposed by the State Authority, such transactions will be rendered null and void and will be incapable of registration. A breach of any express condition resulting in the forfeiture of the land will result in a fundamental breach of the terms of the Perak JVA. In such instance, CCF may bring an action for breach of contract and is entitled under common law to terminate the Perak JVA and claim for damages or seek for any losses incurred by CCF arising from the breach.

The CCF Land Asset comprises five (5) pieces of leasehold land registered in the name of PESB ("**PESB Land**") and 238 pieces of leasehold land registered in the name of MTSB ("**MTSB Land**"). The areas of the PESB Land and the MTSB Land represent approximately 82.4% and 17.6% of the total land area of the CCF Land Asset respectively.

Land searches have been conducted on the PESB Land and 10 pieces of land of the MTSB Land ("**Selected MTSB Titles**"), representing in aggregate approximately 84.2% of the total land area of the CCF Land Asset. The Selected MTSB Titles represent approximately 10.3% of the aggregate land area of the MTSB Land. Notwithstanding, PESB and MTSB have represented to CCF in the Perak JVA that they have the legal and beneficial title to the PESB Land and MTSB Land respectively. Further, prior to entry into the Perak JVA, CCF had conducted checks with, *inter alia*, the relevant land offices on samples of the land titles and had sighted copies of all of the land titles in respect of the CCF Land Asset to verify that PESB and MTSB are the owners of the PESB Land and the MTSB Land respectively. Please refer to Appendix G to this Circular for further details on the Perak JVA. Accordingly, the Proposed Directors are of the view that the land searches conducted, together with the information and documents provided by PESB and MTSB in respect of the PESB Land and MTSB Land respectively during the course of the due diligence conducted on the CCF Land Asset, are sufficiently adequate to provide a reasonably accurate representation of the details of the CCF Land Asset. The Sponsor and Financial Adviser is also of the view that the land searches and due diligence conducted in respect of the PESB Land and MTSB Land are sufficiently adequate to provide a reasonably accurate representation of the details of the CCF Land Asset.

The FSVL Directors have confirmed that the PESB Land titles, which constitute the majority of the CCF Land Asset area, are contiguous on the same land plot while the MTSB Land titles are clustered together on a separate adjacent land plot. Any potential issues that may arise in relation to any of the remaining MTSB titles that were not subject to the independent land searches ("**Remaining MTSB Titles**") will not have a material impact on the PESB Land or the land held under the Selected MTSB Titles as the designs and plans for Project Sitiawan Wellness Hub may be amended based on the land area represented by the remaining titles of the CCF Land Asset (including the PESB Land and the land held under the Selected MTSB Titles). Accordingly, the FSVL Directors are of the view that there is no material impact on the envisaged development of Project Sitiawan Wellness Hub in the event that there were misrepresentations made by MTSB in relation to the Remaining MTSB Titles which represent approximately 15.8% of the total land area of the CCF Land Asset.

Based on documents provided by CCF including, amongst others, copies of the land title of the CCF Land Asset and the independent land searches conducted on the PESB Land and the Selected MTSB Titles, the Legal Adviser to the Company as to Malaysia Law has advised the Company that PESB has legal and beneficial title to the PESB Land and MTSB has legal and beneficial title to the MTSB Land held under the Selected MTSB Titles.

2.2 Key terms of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition

(a) Sale and Purchase

Subject to and upon the terms and conditions of the Restated AVL SPA, the Company shall purchase from the AVL Shareholders and the AVL Shareholders shall, in consideration of the AVL Consideration, as legal and beneficial owners, transfer to the Company, all (and not part of) the AVL Shares as at the AVL Completion Date free from all encumbrances and together with all entitlements, advantages and rights attached or accruing thereto with effect from the AVL Completion Date.

Subject to and upon the terms and conditions of the REGL SPA, the Company shall purchase from the REGL Shareholders and the REGL Shareholders shall, in consideration of the REGL Consideration, as legal and beneficial owners, transfer to the Company, all (and not part of) the REGL Shares as at the REGL Completion Date free from all encumbrances and together with all entitlements, advantages and rights attached or accruing thereto with effect from the REGL Completion Date.

Subject to and upon the terms and conditions of the FSVL SPA, the Company shall purchase from the FSVL Shareholders and the FSVL Shareholders shall, in consideration of the FSVL Consideration, as legal and beneficial owners, transfer to the Company, all (and not part of) the FSVL Shares as at the FSVL Completion Date free from all encumbrances and together with all entitlements, advantages and rights attached or accruing thereto with effect from the FSVL Completion Date.

(b) Consideration

The AVL Consideration of S$300,000,000 was arrived at after arm's length negotiations between the Company and the AVL Shareholders, and on a willing-buyer and willing-seller basis, taking into account, *inter alia*, the Business, management position and the business prospects of CCP and on the basis that the AVL Consideration shall be supported by the Appraised Value.

The AVL Consideration shall be fully satisfied, on Completion, by the allotment and issuance of 1,071,428,569 Consideration Shares as follows:

(i) to each of the AVL Shareholders or the Nominees as determined in the following manner (rounded down to the nearest Consideration Share):

$$\text{Number of Consideration Shares} = \frac{\text{Consideration} - \text{S\$10,000,000}^{(1)}}{\text{Issue Price}} \times \text{Relative Proportion}$$

Note:

(1) Adjustment for the ACIL Fees.

(ii) at the request of the AVL Shareholders, to ACIL in fulfilment of the ACIL Fees, as determined in the following manner (rounded down to the nearest Consideration Share):

$$\text{Number of Consideration Shares} = \frac{\text{S\$10,000,000}}{\text{Issue Price}}$$

The Issue Price of S$0.28, adjusted on the basis that the Proposed Share Consolidation has not been effected, amounts to S$0.07, which is at a premium of approximately 37.3% to the volume weighted average price of the Shares of S$0.051 on 7 June 2016, being the last Market Day immediately preceding the First Announcement Date.

The Consideration Shares, which shall be credited as fully-paid and shall rank *pari passu* in all respects with the then existing Consolidated Shares, will represent approximately 86.24% of the share capital of the Company immediately after completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition but before the Proposed Compliance Placement. Further details of the shareholding structure of the Company post-Completion are set out in Section 15.2 entitled "Changes in shareholding structure of the Company" of this Circular.

The REGL Consideration of US$200 and the FSVL Consideration of US$200 were arrived at after arm's length negotiations between the Company and the REGL Shareholders and FSVL Shareholders respectively, and on a willing-buyer and willing-seller basis, after taking into account the par value of the issued and paid-up shares of REGL and FSVL respectively as at Completion. REGL and FSVL were incorporated on 9 September 2016 and 8 December 2016 respectively and their respective projects are still in the initial stages of development.

The REGL Consideration and the FSVL Consideration shall be satisfied in cash to the REGL Shareholders and the FSVL Shareholders respectively in the proportion of their shareholdings in REGL and FSVL respectively at Completion.

(c) ACIL Fees

Pursuant to the Private Consultancy Agreement, the ACIL Fees shall be paid to ACIL by way of the allotment and issuance of the ACIL Shares upon Completion in consideration of the services provided by ACIL to the AVL Shareholders to enhance the value of the AVL Shareholders' shareholdings in AVL and CCP via arranging and facilitating, among others, fund raising exercises and mergers and acquisitions transactions.

(d) Conditions Precedent

(A) AVL Conditions Precedent

Completion of the Proposed AVL Acquisition is conditional upon, *inter alia*, the following conditions precedent set out in the Restated AVL SPA ("**AVL Conditions Precedent**") having been satisfied or waived in accordance with the terms of the Restated AVL SPA before the Back-Stop Date:

(i) completion of a business, legal and financial due diligence exercise by the Company on the AVL Shareholders and each of AVL, CCP and CCMPL which shall include, without limitation, the review of:

(aa) the business and operations of each of AVL, CCP and CCMPL including management meetings and site visits;

(bb) each of AVL's, CCP's and CCMPL's historical financial figures; and

(cc) any and all documents relating to legal and taxation matters of each of AVL, CCP, CCMPL, Project Capital City and the CCP Land Asset,

the results of such exercise being satisfactory to the Company and the Financial Adviser, in their sole and absolute discretion;

(ii) to the extent that the AVL Shareholders and their concert parties are obliged to make a mandatory offer under Rule 14 of the Code arising from the allotment and issuance of the Consideration Shares pursuant to the terms and conditions of the Restated AVL SPA, the SIC having granted the AVL Shareholders and their concert parties a waiver from such obligation, and such waiver not being revoked, repealed or amended as of the AVL Completion Date, and such waiver being subject to:

(aa) any conditions that the SIC may impose, such conditions being acceptable to the AVL Shareholders and the Company (to the extent that any condition imposed relates to matters to be fulfilled or complied with by the Company), and to the extent that any such conditions are required to be fulfilled on or before the AVL Completion Date, they are so fulfilled; and

(bb) the Proposed Whitewash Resolutions having been passed by the Independent Shareholders at the EGM;

(iii) the SGX-ST having granted a listing and quotation notice for the listing and quotation of the Consideration Shares and the New Placement Shares;

(iv) the Company having received the requisite approvals from the Shareholders, at the EGM, for amongst others:

(aa) the Proposed AVL Acquisition;

(bb) the Proposed Whitewash Resolutions;

(cc) removal of the Current Board, save for Mr. Aw Eng Hai, and appointment of the New Directors in their place;

(dd) the Proposed Change of Name;

(ee) the allotment and issuance of the Consideration Shares at the Issue Price;

(ff) the allotment and issuance of the New Placement Shares;

(gg) the Proposed Share Issue Mandate;

(hh) the adoption of a general mandate for ongoing interested person transactions (if any);

(ii) the Proposed Change of Financial Year End;

(jj) the Proposed Share Consolidation; and

(kk) all transactions contemplated under the Restated AVL SPA;

(v) the Company having received the requisite approvals from the Board for, amongst others, the matters set out in Section 2.2(d)(A)(iv) above of this Circular (to the extent applicable);

(vi) undertakings by the Undertaking Shareholder:

(aa) not to dispose of their shareholdings in the Company below 51.0% until the earlier of:

(1) the AVL Conditions Precedent not being fulfilled on or before the Back-Stop Date; or

(2) termination of the Restated AVL SPA; or

(3) conclusion of the EGM; and

(bb) to vote, subject to fulfilment of the matters set out in Section 2.2(d)(A)(ii) of this Circular, at the EGM in favour of, *inter alia*, the matters referred to in Section 2.2(d)(A)(iv) of this Circular;

(vii) save as disclosed in the Restated AVL SPA and the AVL Disclosure Letter, all warranties provided by the AVL Shareholders under the Restated AVL SPA being complied with, true, accurate and correct in all material respects as at the AVL Completion Date;

(viii) save as disclosed in the Restated AVL SPA, all warranties provided by the Company under the Restated AVL SPA being complied with, true, accurate and correct in all material respects as at the AVL Completion Date;

(ix) all necessary approvals and consents as may be necessary from and registration with any third party, governmental or regulatory body or relevant competent authority having jurisdiction over the transactions contemplated herein or to the entry into and completion of the Restated AVL SPA by the Restated AVL SPA Parties, being in full force and effect and not having been withdrawn, suspended, amended or revoked as at the AVL Completion Date, and if such approvals or consents or registrations are granted or obtained subject to any conditions, such conditions being reasonably acceptable to the Company and the AVL Shareholders (as the case may be);

(x) the Company being satisfied in its reasonable discretion that the business of each of AVL, CCP and CCMPL has been carried on in a

satisfactory manner and in its usual course, and all material approvals and consents (including any governmental, regulatory and/or corporate approvals and consents) required for the business of each of AVL, CCP and CCMPL have been obtained, and are and shall as at the AVL Completion Date, remain valid and effective and not withdrawn or amended;

(xi) the execution and performance of the Restated AVL SPA by the Restated AVL SPA Parties not being materially prohibited, restricted, curtailed, hindered, impaired or otherwise materially adversely affected by any relevant statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority;

(xii) the delivery of the AVL Disclosure Letter by the AVL Shareholders to the Company on the date of execution of the Restated AVL SPA and such other supplemental letter being delivered by the AVL Shareholders to the Company: (aa) no later than 30 Business Days from the date of the Restated AVL SPA (if any); and (bb) on the date the AVL Shareholders' verification meeting is held for the purposes of having the AVL Shareholders verify the contents of this Circular prior to the despatch of this Circular by the Company to its Shareholders and/or lodgement on SGXNET, and the AVL Disclosure Letter and such other supplemental letters being in a form and substance satisfactory to the Company at the Company's reasonable discretion;

(xiii) there being no investigations by any Governmental Body and competent authorities or adverse proceedings pending or threatened against any of AVL, CCP, CCMPL or the Restated AVL SPA Parties, that might reasonably be expected to materially impair or prevent completion of the Proposed AVL Acquisition and the matters contemplated under the Restated AVL SPA (including the resultant change in the AVL Shareholders, directors and management of any of AVL CCP or CCMPL) or cause a material adverse change in the business operations, affairs, conditions (financial or otherwise) or prospects of any of AVL, CCP or CCMPL from the date of the Restated AVL SPA up to and including the AVL Completion Date;

(xiv) there being no notice of acquisition or exercise of any right by any Governmental Body or parties which will or may prejudice or adversely affect the usage of the CCP Land Asset by CCP or which will or may subject any of AVL, CCP or CCMPL to any onerous charge or liabilities in relation to the CCP Land Asset or any part of it, or of any intended acquisition or exercise of any right in relation to the CCP Land Asset or any part of it by the relevant Governmental Body or party;

(xv) independent valuer(s) to be appointed by the Company at the cost of the Company and whose valuation of AVL's, CCP's and CCMPL's business and/or properties is satisfactory to the Company and the Financial Adviser in their reasonable discretion as at completion of the Proposed AVL Acquisition;

(xvi) delivery by each of the AVL Shareholders (if applicable) to the Company of (i) written approval from BNM in respect of the issuance of such number of Consideration Shares to each of the relevant AVL Shareholders (if applicable) and if such approvals, consents or registrations are granted or obtained subject to any conditions, such conditions being reasonably acceptable to the Company and each of the relevant AVL Shareholders (if applicable); or (ii) a legal opinion issued by the legal counsel of the relevant AVL Shareholders (that has been approved by the Company) in the form acceptable to the Company in its sole and absolute discretion confirming that no such BNM approval is required;

(xvii) where the terms of any contracts entered into by or in relation to any of AVL, CCP or CCMPL (including but not limited to Achwell JVA) contain any restrictions or prohibition on the change in control of the shareholdings, management or ownership of AVL, CCP or CCMPL (as the case may be) or include any right to terminate exercisable prior to or as a result of any matter contemplated by the Restated AVL SPA, delivery by the AVL Shareholders to the Company of a written confirmation in a form and on terms (if any) satisfactory to the Company, of the waiver of such restriction or prohibition in relation to any such change arising from the any of the matters or transactions under the Restated AVL SPA or of any such right to terminate;

(xviii) the delivery by the AVL Shareholders to the Company a written approval from Achwell Property indicating:

(aa) no objection towards the change in control of the shareholdings, management or ownership of each of AVL and CCP;

(bb) that CCP is not in default of any terms and conditions in the Achwell JVA; and

(cc) the Achwell JVA is valid and subsisting; and

(xix) completion of the acquisition of the entire issued and paid-up share capital of CCP by AVL.

Under the Restated AVL SPA, the AVL Conditions Precedent set out in paragraphs 2.2(d)(A)(i) and 2.2(d)(A)(vii) through 2.2(d)(A)(xviii) above shall be deemed fulfilled on the AVL Completion Date unless otherwise notified by the relevant Restated AVL SPA Party in writing.

At any time on or before the Back-Stop Date, the AVL Shareholders may waive the AVL Conditions Precedent set out in paragraphs 2.2(d)(A)(viii), 2.2(d)(A)(ix), 2.2(d)(A)(xi) and 2.2(d)(A)(xiii) above (such AVL Conditions Precedent having been provided for the benefit of the AVL Shareholders), and the Company may waive the AVL Conditions Precedent in paragraphs 2.2(d)(A)(i), 2.2(d)(A)(vii), 2.2(d)(A)(ix) through 2.2(d)(A)(xviii) above (such AVL Conditions Precedent having been provided for the benefit of the Company).

As at the Latest Practicable Date, save for the AVL Conditions Precedent stated in paragraphs 2.2(d)(A) (ii) and (xviii) above, all the AVL Conditions Precedent are pending fulfilment (or waiver, as the case may be). The Company will make a separate announcement when all the AVL Conditions Precedent to the Proposed AVL Acquisition have been fulfilled or as and when any of the AVL Conditions Precedent has been waived (including the basis for such waiver).

(B) REGL Conditions Precedent

Completion of the Proposed REGL Acquisition is conditional upon, *inter alia*, the following conditions precedent set out in the REGL SPA ("**REGL Conditions Precedent**") having been satisfied or waived in accordance with the terms of the REGL SPA before the Back-Stop Date:

(i) completion of a business, legal and financial due diligence exercise by the Company on the REGL Shareholders and each of REGL and CCV which shall include, without limitation, the review of:

(aa) the business and operations of each of REGL and CCV including management meetings and site visits;

(bb) each of REGL's and CCV's historical financial figures; and

(cc) any and all documents relating to legal and taxation matters of each of REGL, CCV, Project Austin and the CCV Land Asset,

the results of such exercise being satisfactory to the Company and the Financial Adviser, in their sole and absolute discretion;

(ii) the SGX-ST having granted a listing and quotation notice for the listing and quotation of the New Placement Shares;

(iii) the Company having received the requisite approvals from the Shareholders, at the EGM, for amongst others:

(aa) the Proposed REGL Acquisition;

(bb) removal of the Current Board, save for Mr. Aw Eng Hai, and appointment of the New Directors in their place;

(cc) the Proposed Change of Name;

(dd) the allotment and issuance of the New Placement Shares;

(ee) the Proposed Change of Financial Year End; and

(ff) all transactions contemplated under the REGL SPA;

(iv) the Company having received the requisite approvals from the Board for, amongst others, the matters set out in Section 2.2(d)(B)(iii) above of this Circular (to the extent applicable);

(v) undertakings by the Undertaking Shareholder:

(aa) not to dispose of their shareholdings in the Company below 51.0% until the earlier of:

(1) the REGL Conditions Precedent not being fulfilled on or before the Back-Stop Date; or

(2) termination of the REGL SPA; or

(3) conclusion of the EGM; and

(bb) to vote at the EGM in favour of, *inter alia*, the matters referred to in Section 2.2(d)(B)(iii) of this Circular;

(vi) save as disclosed in the REGL SPA and the REGL Disclosure Letter, all warranties provided by the REGL Shareholders under the REGL SPA being complied with, true, accurate and correct in all material respects as at the REGL Completion Date;

(vii) save as disclosed in the REGL SPA, all warranties provided by the Company under the REGL SPA being complied with, true, accurate and correct in all material respects as at the REGL Completion Date;

(viii) all necessary approvals and consents as may be necessary from and registration with any third party, governmental or regulatory body or relevant competent authority having jurisdiction over the transactions contemplated herein or to the entry into and completion of the REGL SPA by the REGL SPA Parties, being in full force and effect and not having been withdrawn, suspended, amended or revoked as at the REGL Completion Date, and if such approvals or consents or registrations are granted or obtained subject to any conditions, such conditions being reasonably acceptable to the Company and the REGL Shareholders (as the case may be);

(ix) the Company being satisfied in its reasonable discretion that the business of each of REGL and CCV has been carried on in a satisfactory manner and in its usual course, and all material approvals and consents (including any governmental, regulatory and/or corporate approvals and consents) required for the business of each of REGL and CCV have been obtained, and are and shall as at the REGL Completion Date, remain valid and effective and not withdrawn or amended;

(x) the execution and performance of the REGL SPA by the REGL SPA Parties not being materially prohibited, restricted, curtailed, hindered, impaired or otherwise materially adversely affected by any relevant statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority;

(xi) the delivery of the REGL Disclosure Letter by the REGL Shareholders to the Company on the date of execution of the REGL SPA and such other supplemental letter being delivered by the REGL Shareholders to the Company: (aa) no later than 30 Business Days from the date of the REGL SPA (if any); and (bb) on the date the REGL Shareholders' verification meeting is held for the purposes of having the REGL Shareholders verify the contents of this Circular prior to the despatch of this Circular by the Company to its Shareholders and/or lodgement on SGXNET, and the REGL Disclosure Letter and such other supplemental letters being in a form and substance satisfactory to the Company at the Company's reasonable discretion;

(xii) there being no investigations by any Governmental Body and competent authorities or adverse proceedings pending or threatened against any of REGL, CCV or the REGL SPA Parties, that might reasonably be expected to materially impair or prevent completion of the Proposed REGL Acquisition and the matters contemplated under the REGL SPA (including the resultant change in the REGL Shareholders, directors and management of any of REGL or CCV) or cause a material adverse change in the business operations, affairs, conditions (financial or otherwise) or prospects of any of REGL or CCV from the date of the REGL SPA up to and including the REGL Completion Date;

(xiii) there being no notice of acquisition or exercise of any right by any Governmental Body or parties which will or may prejudice or adversely affect the usage of the CCV Land Asset by CCV or which will or may subject any of REGL or CCV to any onerous charge or liabilities in relation to the CCV Land Asset or any part of it, or of any intended acquisition or exercise of any right in relation to the CCV Land Asset or any part of it by the relevant Governmental Body or party;

(xiv) delivery by Mr. Siow (if applicable) to the Company of (i) written approval from BNM in respect of the issuance of such number of Consideration Shares to Mr. Siow (if applicable) and if such approvals, consents or registrations are granted or obtained subject to any conditions, such conditions being reasonably acceptable to the Company and Mr. Siow (if applicable); or (ii) a legal opinion issued by the legal counsel of Mr. Siow (if applicable) (that has been approved by the Company) in the form acceptable to the Company in its sole and absolute discretion confirming that no such BNM approval is required;

(xv) where the terms of any contracts entered into by or in relation to any of REGL or CCV (including but not limited to EHSB JVA) contain any restrictions or prohibition on the change in control of the shareholdings, management or ownership of REGL or CCV (as the case may be) or include any right to terminate exercisable prior to or as a result of any matter contemplated by the REGL SPA, delivery by the REGL Shareholders to the Company of a written confirmation in a form and on terms (if any) satisfactory to the Company, of the waiver of such restriction or prohibition in relation to any such change arising from the any of the matters or transactions under the REGL SPA or of any such right to terminate;

(xvi) the delivery by the REGL Shareholders to the Company a written approval from EHSB indicating:

(aa) that CCV is not in default of any terms and conditions in the EHSB JVA; and

(bb) the EHSB JVA is valid and subsisting; and

(xvii) completion of the acquisition of the entire issued and paid-up share capital of CCV by REGL.

Under the REGL SPA, the REGL Conditions Precedent set out in paragraphs 2.2(d)(B)(i) and 2.2(d)(B)(vi) through 2.2(d)(B)(xvi) above shall be deemed fulfilled on the REGL Completion Date unless otherwise notified by the relevant REGL SPA Party in writing.

At any time on or before the Back-Stop Date, the REGL Shareholders may waive the REGL Conditions Precedent set out in paragraphs 2.2(d)(B)(vii), 2.2(d)(B)(viii), 2.2(d)(B)(x) and 2.2(d)(B)(xii) above (such REGL Conditions Precedent having been provided for the benefit of the REGL Shareholders), and the Company may waive the REGL Conditions Precedent in paragraphs 2.2(d)(B)(i), 2.2(d)(B)(vi), 2.2(d)(B)(viii) through 2.2(d)(B)(xvi) above (such REGL Conditions Precedent having been provided for the benefit of the Company).

As at the Latest Practicable Date, all the REGL Conditions Precedent are pending fulfilment (or waiver, as the case may be). The Company will make a separate announcement when all the REGL Conditions Precedent to the Proposed REGL Acquisition have been fulfilled or as and when any of the REGL Conditions Precedent has been waived (including the basis for such waiver).

(C) FSVL Conditions Precedent

Completion of the Proposed FSVL Acquisition is conditional upon, *inter alia*, the following conditions precedent set out in the FSVL SPA ("**FSVL Conditions Precedent**") having been satisfied or waived in accordance with the terms of the FSVL SPA before the Back-Stop Date:

(i) completion of a business, legal and financial due diligence exercise by the Company on the FSVL Shareholders and each of FSVL and CCF which shall include, without limitation, the review of:

(aa) the business and operations of each of FSVL and CCF including management meetings and site visits;

(bb) each of FSVL's and CCF's historical financial figures; and

(cc) any and all documents relating to legal and taxation matters of each of FSVL, CCF, Project Sitiawan Wellness Hub and the CCF Land Asset,

the results of such exercise being satisfactory to the Company and the Financial Adviser, in their sole and absolute discretion;

(ii) the SGX-ST having granted a listing and quotation notice for the listing and quotation of the New Placement Shares;

(iii) the Company having received the requisite approvals from the Shareholders, at the EGM, for amongst others:

(aa) the Proposed FSVL Acquisition;

(bb) removal of the Current Board, save for Mr. Aw Eng Hai, and appointment of the New Directors by the FSVL Shareholders in their place;

(cc) the Proposed Change of Name;

(dd) the allotment and issuance of the New Placement Shares;

(ee) the Proposed Change of Financial Year End; and

(ff) all transactions contemplated under the FSVL SPA;

(iv) the Company having received the requisite approvals from the Board for, amongst others, the matters set out in Section 2.2(d)(C)(iii) above of this Circular (to the extent applicable);

(v) undertakings by the Undertaking Shareholder:

(aa) not to dispose of their shareholdings in the Company below 51.0% until the earlier of:

(1) the FSVL Conditions Precedent not being fulfilled on or before the Back-Stop Date; or

(2) termination of the FSVL SPA; or

(3) conclusion of the EGM; and

(bb) to vote at the EGM in favour of, *inter alia*, the matters referred to in Section 2.2(d)(C)(iii) of this Circular;

(vi) save as disclosed in the FSVL SPA and the FSVL Disclosure Letter, all warranties provided by the FSVL Shareholders under the FSVL SPA being complied with, true, accurate and correct in all material respects as at the FSVL Completion Date;

(vii) save as disclosed in the FSVL SPA, all warranties provided by the Company under the FSVL SPA being complied with, true, accurate and correct in all material respects as at the FSVL Completion Date;

(viii) all necessary approvals and consents as may be necessary from and registration with any third party, governmental or regulatory body or relevant competent authority having jurisdiction over the transactions contemplated herein or to the entry into and completion of the FSVL SPA by the FSVL SPA Parties, being in full force and effect and not having been withdrawn, suspended, amended or revoked as at the FSVL Completion Date, and if such approvals or consents or registrations are granted or obtained subject to any conditions, such conditions being reasonably acceptable to the Company and the FSVL Shareholders (as the case may be);

(ix) the Company being satisfied in its reasonable discretion that the business of each of FSVL and CCF has been carried on in a satisfactory manner and in its usual course, and all material approvals and consents (including any governmental, regulatory and/or corporate approvals and consents) required for the business of each of FSVL and CCF have been obtained, and are and shall as at the FSVL Completion Date, remain valid and effective and not withdrawn or amended;

(x) the execution and performance of the FSVL SPA by the FSVL SPA Parties not being materially prohibited, restricted, curtailed, hindered, impaired or otherwise materially adversely affected by any relevant statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority;

(xi) the delivery of the FSVL Disclosure Letter by the FSVL Shareholders to the Company on the date of execution of the FSVL SPA and such other supplemental letter being delivered by the FSVL Shareholders to the Company: (aa) no later than 30 Business Days from the date of the FSVL SPA (if any); and (bb) on the date the FSVL Shareholders' verification meeting is held for the purposes of having the FSVL Shareholders verify the contents of this Circular prior to the despatch of this Circular by the Company to its Shareholders and/or lodgement on SGXNET, and the FSVL Disclosure Letter and such other supplemental letters being in a form and substance satisfactory to the Company at the Company's reasonable discretion;

(xii) there being no investigations by any Governmental Body and competent authorities or adverse proceedings pending or threatened against any of FSVL, CCF or the FSVL SPA Parties, that might reasonably be expected to materially impair or prevent completion of the Proposed FSVL Acquisition and the matters contemplated under the FSVL SPA (including the resultant change in the FSVL Shareholders, directors and management of any of FSVL or CCF) or cause a material adverse change in the business operations, affairs, conditions (financial or otherwise) or prospects of any of FSVL or CCF from the date of the FSVL SPA up to and including the FSVL Completion Date;

(xiii) there being no notice of acquisition or exercise of any right by any Governmental Body or parties which will or may prejudice or adversely affect the usage of the CCF Land Asset by CCF or which will or may subject any of FSVL or CCF to any onerous charge or liabilities in

relation to the CCF Land Asset or any part of it, or of any intended acquisition or exercise of any right in relation to the CCF Land Asset or any part of it by the relevant Governmental Body or party;

(xiv) delivery by Mr. Siow (if applicable) to the Company of (i) written approval from BNM in respect of the issuance of such number of Consideration Shares to Mr. Siow (if applicable) and if such approvals, consents or registrations are granted or obtained subject to any conditions, such conditions being reasonably acceptable to the Company and Mr. Siow (if applicable); or (ii) a legal opinion issued by the legal counsel of Mr. Siow (if applicable) (that has been approved by the Company) in the form acceptable to the Company in its sole and absolute discretion confirming that no such BNM approval is required;

(xv) where the terms of any contracts entered into by or in relation to any of FSVL or CCF (including but not limited to Perak JVA) contain any restrictions or prohibition on the change in control of the shareholdings, management or ownership of FSVL or CCF (as the case may be) or include any right to terminate exercisable prior to or as a result of any matter contemplated by the FSVL SPA, delivery by the FSVL Shareholders to the Company of a written confirmation in a form and on terms (if any) satisfactory to the Company, of the waiver of such restriction or prohibition in relation to any such change arising from the any of the matters or transactions under the FSVL SPA or of any such right to terminate;

(xvi) the delivery by the FSVL Shareholders to the Company a written approval from PESB and MTSB indicating:

(aa) no objection toward the change in control of the shareholdings, management or ownership of each of FSVL and CCF;

(bb) that CCF is not in default of any terms and conditions in the Perak JVA; and

(cc) the Perak JVA is valid and subsisting; and

(xvii) completion of the acquisition of the entire issued and paid-up share capital of CCF by FSVL.

Under the FSVL SPA, the FSVL Conditions Precedent set out in paragraphs 2.2(d)(C)(i) and 2.2(d)(C)(vi) through 2.2(d)(C)(xvi) above shall be deemed fulfilled on the FSVL Completion Date unless otherwise notified by the relevant FSVL SPA Party in writing.

At any time on or before the Back-Stop Date, the FSVL Shareholders may waive the FSVL Conditions Precedent set out in paragraphs 2.2(d)(C)(vii), 2.2(d)(C)(viii), 2.2(d)(C)(x) and 2.2(d)(C)(xii) above (such FSVL Conditions Precedent having been provided for the benefit of the FSVL Shareholders), and the Company may waive the FSVL Conditions Precedent in paragraphs

2.2(d)(C)(i), 2.2(d)(C)(vi), 2.2(d)(C)(viii) through 2.2(d)(C)(xvi) above (such FSVL Conditions Precedent having been provided for the benefit of the Company).

As at the Latest Practicable Date, all the FSVL Conditions Precedent are pending fulfilment (or waiver, as the case may be). The Company will make a separate announcement when all the FSVL Conditions Precedent to the Proposed FSVL Acquisition have been fulfilled or as and when any of the FSVL Conditions Precedent has been waived (including the basis for such waiver).

(e) Completion

(A) Completion of the Proposed AVL Acquisition

Subject to fulfilment or waiver (as the case may be) of the AVL Conditions Precedent, completion of the Proposed AVL Acquisition will take place at the AVL Completion Date, being:

(a) the date falling ten (10) Business Days after the fulfilment or waiver (as the case may be) of the AVL Conditions Precedent set out in Sections 2.2(d)(A)(ii) through 2.2(d)(A)(vi) and Sections 2.2(d)(A)(xvi) through 2.2(d)(A)(xviii); or

(b) such other date as the Restated AVL SPA Parties may mutually agree,

provided always that such date shall fall on the same date as the date of the completion of the Proposed Compliance Placement. If any of the AVL Conditions Precedent are not fulfilled or waived (as the case may be) by the Back-Stop Date, the Restated AVL SPA shall cease and determine and save for the surviving provisions of the Restated AVL SPA or for any antecedent breach of the terms of the Restated AVL SPA, none of the Restated AVL SPA Parties shall have any claim against any other Restated AVL SPA Party for costs, damages, compensation or otherwise.

(B) Completion of the Proposed REGL Acquisition

Subject to fulfilment or waiver (as the case may be) of the REGL Conditions Precedent, completion of the Proposed REGL Acquisition will take place at the REGL Completion Date, being:

(a) the date falling ten (10) Business Days after the fulfilment or waiver (as the case may be) of the REGL Conditions Precedent set out in Sections 2.2(d)(B)(ii) through 2.2(d)(B)(v) and Sections 2.2(d)(B)(xiv) through 2.2(d)(B)(xvi); or

(b) such other date as the REGL SPA Parties may mutually agree,

provided always that such date shall fall on the same date as the date of the completion of the Proposed Compliance Placement. If any of the REGL Conditions Precedent are not fulfilled or waived (as the case may be) by the Back-Stop Date, the REGL SPA shall cease and determine and save for the

surviving provisions of the terms of the REGL SPA or for any antecedent breach of the REGL SPA, none of the REGL SPA Parties shall have any claim against any other REGL SPA Party for costs, damages, compensation or otherwise.

(C) Completion of the Proposed FSVL Acquisition

Subject to fulfilment or waiver (as the case may be) of the FSVL Conditions Precedent, completion of the Proposed FSVL Acquisition will take place at the FSVL Completion Date, being:

(a) the date falling ten (10) Business Days after the fulfilment or waiver (as the case may be) of the FSVL Conditions Precedent set out in Sections 2.2(d)(C)(ii) through 2.2(d)(C)(v) and Sections 2.2(d)(C)(xiv) through 2.2(d)(C)(xvi); or

(b) such other date as the FSVL SPA Parties may mutually agree,

provided always that such date shall fall on the same date as the date of the completion of the Proposed Compliance Placement. If any of the FSVL Conditions Precedent are not fulfilled or waived (as the case may be) by the Back-Stop Date, the FSVL SPA shall cease and determine and save for the surviving provisions of the FSVL SPA or for any antecedent breach of the terms of the FSVL SPA, none of the FSVL SPA Parties shall have any claim against any other FSVL SPA Party for costs, damages, compensation or otherwise.

(f) Undertaking Shareholder

Tritech Group Limited, the Undertaking Shareholder which has an interest of approximately 56.61% in the total number of issued Shares as at the Latest Practicable Date, has undertaken, *inter alia*,

(i) to hold in aggregate such number of Shares amounting to no less than 51.0% of the total number of Shares, until the earlier of:

(aa) any of the AVL Conditions Precedent, the REGL Conditions Precedent or the FSVL Conditions Precedent (as the case may be) not being fulfilled or waived (as the case may be) on or before the Back-Stop Date; or

(bb) termination of the Restated AVL SPA, the REGL SPA or the FSVL SPA (as the case may be); and

(cc) conclusion of the EGM; and

(ii) to vote, at the EGM in favour of, *inter alia*, the matters referred to in Section 2.2(d)(A)(iv), 2.2(d)(B)(iii) and 2.2(d)(C)(iii) of this Circular.

(g) Moratorium

Upon Completion, the AVL Shareholders are entitled to receive the Consideration Shares in satisfaction of the Consideration for the Proposed AVL Acquisition. In accordance with the terms of the Restated AVL SPA, the AVL Completion Date shall fall on the same date as the date of completion of the Proposed Compliance Placement.

AVL Shareholders

Each of the AVL Shareholders shall be subject to a moratorium and has undertaken to the Company:

(i) for a period of six (6) months commencing from the expected date of the commencement of trading of the Consolidated Shares on Catalist ("**Initial Period**"), not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of ("**Disposal**"), or enter into any agreement that will directly or indirectly constitute or will be deemed as a Disposal of any part of their interests in the Consolidated Shares issued to each of them pursuant to the Restated AVL SPA (less the ACIL Shares and the Investment Shares) (adjusted for any bonus issue or sub-division of the Shares or Consolidated Shares); and

(ii) for a further period of six (6) months after the Initial Period, not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of, or enter into any agreement that will directly or indirectly constitute or will be deemed as a Disposal of more than 50.0% of their respective interests in the Consolidated Shares issued to each of them pursuant to the Restated AVL SPA (less the ACIL Shares and the Investment Shares) (adjusted for any bonus issue or sub-division of the Shares or Consolidated Shares),

as required under Rules 422(1) and 1015(3)(b) of the Catalist Rules.

Following the completion of the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement, the number of Consolidated Shares of the AVL Shareholders which will be moratorised during the Initial Period are as follows:

AVL Shareholder and/or Nominee	Number of Consolidated Shares	Percentage of Enlarged Share Capital (%)
Mr. Siow	501,785,713	39.56
Mr. Colin Tan	250,892,857	19.78
Mr. Edwin Tan	250,892,857	19.78
Total	1,003,571,427	79.12

In addition, pursuant to the Achwell Supplemental Agreement, CCP has undertaken to procure that the AVL Shareholders and/or the Nominees shall be subject to a further moratorium, for a period commencing from the AVL Completion Date until (i) three (3) years commencing from the AVL Completion Date; or (ii) the full settlement of the Achwell's Entitlement Sum, whichever is the earlier, not to sell, transfer or assign or create any encumbrances over the entire of the AVL Shareholders' beneficial interests over their respective Consideration Shares.

Accordingly, each of the AVL Shareholders has also entered into a separate letter of undertaking and indemnity dated 13 March 2017 pursuant to which they have undertaken to Achwell Property that they shall (and shall cause that their Nominees), for a period commencing from the AVL Completion Date until (i) three (3) years commencing from the AVL Completion Date; or (ii) the full settlement of the Achwell's Entitlement Sum, whichever is the earlier, not sell, transfer, assign or create any encumbrances over the entire of their beneficial interests over their respective Consideration Shares ("**Achwell Moratorium**").

Notwithstanding the Achwell Moratorium, the Consolidated Shares to be held by the AVL Shareholders will still be subject to the minimum moratorium period in accordance with Rules 422(1) and 1015(3)(b) of the Catalist Rules ("**Regulatory Moratorium**") in the event that the Achwell's Entitlement Sum is fully settled prior to the expiry of the Regulatory Moratorium.

ACIL

ACIL is a company incorporated in the BVI. It is an independent third party appointed by and advising the AVL Shareholders pursuant to the Private Consultancy Agreement.

Pursuant to the Private Consultancy Agreement, the Company shall allot and issue an aggregate of 35,714,285 new fully paid Consolidated Shares to ACIL in fulfilment of the ACIL Fees.

In addition to the Private Consultancy Agreement, ACIL had entered into a sale and purchase agreement with the AVL Shareholders on 9 June 2016 (which was supplemented by an addendum dated 6 January 2017), pursuant to which the AVL Shareholders shall, *inter alia*, sell or procure the sale of the Investment Shares to ACIL. ACIL has represented that it shall be the legal and beneficial owner of the ACIL Shares and the Investment Shares, and is not holding the ACIL Shares and the Investment Shares on behalf of any party, including the AVL Shareholders.

In respect of the foregoing, and in compliance with Rules 422(2) and 1015(3)(b) of the Catalist Rules, ACIL has provided an undertaking to the Company not to directly or indirectly sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of ("**Disposal**"), or enter into any agreement that will directly or indirectly constitute or will be deemed as a Disposal of any part of such number of Investment Shares, amounting to an aggregate of 12,857,143 Consolidated Shares, for a period of 12 months commencing from the expected date of the commencement of trading of the Consolidated Shares on Catalist ("**ACIL Moratorium**").

The number of Investment Shares subject to the ACIL Moratorium is calculated on the following basis:

$$\text{12,857,143 Consolidated Shares} = \frac{V_{L\&Q} - V_{CP}}{V_{L\&Q}} \times \text{Investment Shares}$$

Where:

V_{CP} = S$5,400,000, being the total cash paid for the Investment Shares acquired by ACIL under the terms of the sale and purchase agreement between ACIL and AVL Shareholders dated 9 June 2016; and

$V_{L\&Q}$ = S$9,000,000, being the value of the Investment Shares acquired by ACIL under the terms of the sale and purchase agreement between ACIL and AVL Shareholders dated 9 June 2016, based on the Issue Price.

The ACIL Shares and the remaining portion of the Investment Shares shall not be subject to the ACIL Moratorium.

In addition, Mr. Lim Choon Hian, the sole shareholder of ACIL, has undertaken to the Company not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of ("**Disposal**"), or enter into any agreement that will directly or indirectly constitute or will be deemed as a Disposal of any part of his shareholding interests in ACIL for a period of 12 months commencing from the expected date of the commencement of trading of the Consolidated Shares on Catalist.

(h) Undertakings, representations and warranties

The Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition are subject to such further undertakings, representations and warranties from each of the Company, and the AVL Shareholders, REGL Shareholders and FSVL Shareholders respectively as are customary for transactions of similar nature.

(i) Costs and expenses

(A) Restated AVL SPA

The Restated AVL SPA Parties shall bear the legal, professional and other costs and expenses incurred by such Restated AVL SPA Party in the following manner:

(i) in the event that completion of the Proposed AVL Acquisition does take place, each Restated AVL SPA Party shall bear its own legal and other costs and expenses of and incidental to the Restated AVL SPA and the transactions contemplated therein ("**Restated AVL SPA Costs**"); and

(ii) in the event that completion of the Proposed AVL Acquisition does not take place, the AVL Shareholders shall be jointly and severally liable for an amount equivalent to half the Restated AVL SPA Costs incurred by the Company ("**Restated AVL SPA Indemnity Amount**") on an indemnity basis and shall on demand fully indemnify the Company for the Restated AVL SPA Indemnity Amount. The Company will bear the other remaining half of the Restated AVL SPA Costs incurred by the Company which the AVL Shareholders are not liable for.

(B) REGL SPA

The REGL SPA Parties shall bear the legal, professional and other costs and expenses incurred by such REGL SPA Party in the following manner:

(i) in the event that completion of the Proposed REGL Acquisition does take place, each REGL SPA Party shall bear its own legal and other costs and expenses of and incidental to the REGL SPA and the transactions contemplated therein ("**REGL SPA Costs**"); and

(ii) in the event that completion of the Proposed REGL Acquisition does not take place, the REGL Shareholders shall be jointly and severally liable for an amount equivalent to half the REGL SPA Costs incurred by the Company ("**REGL SPA Indemnity Amount**") on an indemnity basis and shall on demand fully indemnify the Company for the REGL SPA Indemnity Amount. The Company will bear the other remaining half of the REGL SPA Costs incurred by the Company which the REGL Shareholders are not liable for.

(C) FSVL SPA

The FSVL SPA Parties shall bear the legal, professional and other costs and expenses incurred by such FSVL SPA Party in the following manner:

(i) in the event that completion of the Proposed FSVL Acquisition does take place, each FSVL SPA Party shall bear its own legal and other costs and expenses of and incidental to the FSVL SPA and the transactions contemplated therein ("**FSVL SPA Costs**"); and

(ii) in the event that completion of the Proposed FSVL Acquisition does not take place, the FSVL Shareholders shall be jointly and severally liable for an amount equivalent to half the FSVL SPA Costs incurred by the Company ("**FSVL SPA Indemnity Amount**") on an indemnity basis and shall on demand fully indemnify the Company for the FSVL SPA Indemnity Amount. The Company will bear the other remaining half of the FSVL SPA Costs incurred by the Company which the FSVL Shareholders are not liable for.

2.3 Property Valuation Certificate

Pursuant to Rule 416(2) of the Catalist Rules, a property development company applying for admission to Catalist must appoint an independent external valuer to conduct a valuation of all its principal freehold and leasehold properties. The Company has commissioned SREC to provide an independent valuation on the CCP Land Asset. As at the Latest Practicable Date, the Capital City Group does not own any properties.

The basis of valuation employed by SREC is the gross development value (as defined by the Royal Institute of Chartered Surveyors and International Valuation Standards) of the CCP Land Asset, subject to satisfactory completion and issuance of temporary occupation permit and certificate of statutory completion, and the fair value (as defined by the International Valuation Standards Council) of the development profit. The method of valuation employed to determine the gross development value is the market comparison method which entails enlisting sales and other relevant market evidences of similar properties and making adjustments due to factors which may affect the value. The method of valuation employed to determine the fair value of the development profit is the residual method which is derived by deducting from the gross development value all development costs, including land costs, interest and taxes, legal and marketing costs and discounted to present value.

As at 30 September 2016, being the effective date of the valuation of the CCP Land Asset, the aggregate fair value of the development profit of the CCP Land Asset is RM965 million (or approximately S$317.9 million) (based on an exchange rate of S$1.00 = RM3.0359). Please refer to the Property Valuation Certificate annexed in Appendix E to this Circular for further details.

Shareholders should read and consider carefully the analysis of SREC on the valuation of the CCP Land Asset as contained in the Property Valuation Certificate in its entirety before deciding whether or not to approve the Proposed Transactions. The Property Valuation Certificate and the full property valuation report are available for inspection at the principal place of business of the Company during normal business hours for a period of six (6) months from the date of this Circular. Please refer to Section 40 entitled "Documents for Inspection" of this Circular for further details.

2.4 Independent Equity Valuation Certificate

Pursuant to Rule 1015(3) of the Catalist Rules, a competent and independent valuer has to be appointed to value the incoming business. The Company has commissioned SREC to provide an independent valuation on the estimate of the fair value of a 100% interest in AVL.

SREC has used a fair value standard, presuming the application of existing use framework ("as-is" basis). Fair value is defined as the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.

SREC has performed such valuation of 100% of AVL based on the adjusted book value method.

As set out in paragraph 13 of the Independent Valuation Certificate, the estimated fair value of 100% of AVL is RM970 million or approximately S$319.5 million as at 6 January 2017 (assuming an exchange rate of S$1.00 = RM3.0359 as at 30 September 2016, being the effective date of valuation of the CCP Land Asset), which includes the fair value of the development profit of the CCP Land Asset as at 30 September 2016. Please refer to the Independent Equity Valuation Certificate annexed in Appendix F to this Circular for further details.

Shareholders should read and consider carefully the analysis of SREC on the valuation of AVL and the Business as contained in the Independent Equity Valuation Certificate in its entirety before deciding whether or not to approve the Proposed Transactions. The Independent Equity Valuation Certificate and the full independent equity valuation letter are available for inspection at the principal place of business of the Company during normal business hours for a period of six (6) months from the date of this Circular. Please refer to Section 40 entitled "Documents for Inspection" of this Circular for further details.

2.5 Rationale for the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition

In view of the historical financial performance of the Group, which is mainly attributable to the Group's reliance on the demand for its marble and marble-related products in the PRC, the Company has been constantly looking to explore new investments, acquisitions, strategic alliances and/or joint ventures to grow and improve the quality of its business operations.

The Board is of the view that the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition will provide the opportunity for the Company to venture into the growing property development market in Malaysia.

In addition, the Board is also of the view that the property development market in Malaysia is expected to rebound over the long term in view of, *inter alia*, strong consumer demand, infrastructure improvement and the continued development and government support of economic zones such as Iskandar Malaysia. This anticipated increase in commercial activities is expected to boost investors' confidence in the growth of the area.

The Board believes that the Capital City Group, led by Mr. Siow, has an experienced management team with in-depth knowledge of the property market in Malaysia and the Capital City Group is positioned as an innovative integrated property developer that adds significant commercial value to projects for its stakeholders and introduces new concepts that will revitalise urban landscapes. The Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition will provide the Company with the exposure to an attractive niche market in the property development industry in Malaysia. The Company's existing marble business will also benefit from the current and future projects of the Capital City Group that will provide many opportunities for the Company to supply its high-quality marble products.

Upon Completion, the Capital City Group Companies will become wholly-owned subsidiaries of the Company as part of the Enlarged Group and the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition will have the potential to significantly increase the market capitalisation of the Company, with the added benefit of allowing the Company to access better analyst coverage and increased investor interest in the Shares.

2.6 Very substantial acquisition or reverse takeover

Pursuant to Rule 1015 of the Catalist Rules, Shareholders' approval, amongst others, must be obtained for a "Very Substantial Acquisition" or "Reverse Takeover" as defined in Chapter 10 of the Catalist Rules. Rule 1006 of the Catalist Rules sets out the computations for relative figures. Where any of the relative figures is 100% or more, or if the transaction is one which will result in the change in control of a listed company, such a transaction is a "Very Substantial Acquisition" or "Reverse Takeover".

The relative figures of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, computed on the bases set out in Rule 1006(b) to (d) of the Catalist Rules are as follows:

Rule 1006(a): Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable to an acquisition
Rule 1006(b): Net profits attributable to the Capital City Group as compared with the Group's net profits	(586.4%)[(1)]
Rule 1006(c): Aggregate value of the AVL Consideration, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares	867.4%[(2)]
Rule 1006(d): The number of Consideration Shares issued by the Company as the AVL Consideration for the Proposed AVL Acquisition, compared with the number of equity securities previously in issue	627.0%[(3)]
Rule 1006(e): The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable to an acquisition

Notes:

(1) The audited profit before tax of the Capital City Group is solely in respect of AVL and its subsidiaries. Please refer to Section 17 entitled "Selected Financial Information" of this Circular for further details. The relative figure is computed based on AVL's audited profit before tax of approximately RM57.4 million (equivalent to approximately S$19.3 million) (based on an exchange rate of S$1.00 : RM2.9732, being the average rate for FY2016) for FY2016, compared to the Group's audited loss before tax of approximately S$3.3 million for FY2016. However, this comparison is not meaningful as the Company incurred a loss before tax for FY2016, while AVL was profitable in FY2016.

(2) Based on: (a) the AVL Consideration of S$300,000,000; (b) the REGL Consideration of US$200; (c) the FSVL Consideration of US$200; and (d) the market capitalisation of the Company of approximately S$34,587,225, determined by multiplying 683,542,003 existing Shares in issue by the weighted average price of S$0.0506 of such Shares transacted as at 7 June 2016, being the Market Day immediately preceding the First Announcement Date.

(3) Based on the 4,285,714,285 Shares to be allotted and issued in satisfaction of the AVL Consideration and 683,542,003 existing Shares, adjusted assuming the Proposed Share Consolidation has not taken place. No new shares of the Company will be allotted and issued by the Company pursuant to the Proposed REGL Acquisition and the Proposed FSVL Acquisition.

Upon Completion and prior to the Proposed Compliance Placement, the AVL Shareholders and their concert parties will hold approximately 80.79% of the enlarged issued share capital of the Company immediately after the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition, but before the Proposed Compliance Placement. Accordingly, the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition would result in a change in control of the Company.

As the relative figures under Rules 1006(c) and (d) of the Catalist Rules in respect of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition exceeds 100.0%, and given that completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition will also result in a change in control of the Company, the Proposed AVL Acquisition the Proposed REGL Acquisition and the Proposed FSVL Acquisition, collectively, constitutes a "Reverse Takeover" transaction as defined under Chapter 10 of the Catalist Rules. Accordingly, the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition will be subject to, *inter alia*, the approval of Shareholders and the issue of a listing and quotation notice by the SGX-ST pursuant to Rule 1015 of the Catalist Rules.

2.7 Further information

Section 2 entitled "Details of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition" of this Circular contains only a summarised description of various provisions from the Restated AVL SPA, the REGL SPA and the FSVL SPA, all of which are available for inspection at the principal place of business of the Company during normal business hours for a period of six (6) months from the date of this Circular. Accordingly, this section of this Circular is qualified by, and should be read in conjunction with, the full terms of the Restated AVL SPA, the REGL SPA and the FSVL SPA.

3. THE PROPOSED WHITEWASH RESOLUTIONS

3.1 Rule 14 of the Code

Under Rule 14 of the Code and Section 139 of the SFA, unless such obligation is waived by SIC, where:

(a) any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30.0% or more of the voting rights of a company; or

(b) any person who, together with persons acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights and such person, or any person acting in concert with him, acquires in a period of six (6) months additional shares carrying more than 1.0% of the voting rights,

such person must extend offers immediately to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

3.2 General offer requirement

As at the Latest Practicable Date, the Obliged Parties do not hold any Shares or instruments convertible into, rights to subscribe for and options in respect of the Shares.

Upon Completion, Mr. Siow and the Tan Concert Parties and their respective concert parties would collectively hold or control, 1,003,571,427 Consolidated Shares representing approximately 40.39% and 40.40% respectively of the enlarged issued share capital of the Company immediately after the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, but before the Proposed Compliance Placement.

As the Obliged Parties will have each acquired more than 30.0% of the Company's voting rights upon Completion, pursuant to Rule 14 of the Code and Section 139 of the SFA, the Obliged Parties would be required to make a general offer for all the remaining Shares in issue not already owned, controlled or agreed to be acquired by them, and at the highest price paid or agreed to be paid by the Obliged Parties for the Shares in the past six (6) months preceding the date of the allotment and issuance of the Consideration Shares, unless such obligation is waived by the SIC.

Please refer to Section 15.2 titled "Changes in shareholding structure of the Company" of this Circular for shareholding effects of the allotment and issue of the Consideration Shares pursuant to the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement on the shareholding structure of the Company.

Shareholders should note that the Proposed AVL Acquisition is conditional upon the approval for the Proposed Whitewash Resolutions being obtained, and hence the Proposed AVL Acquisition will not be completed in the event that the Proposed Whitewash Resolutions are not approved.

3.3 Conditional waiver by SIC

Under the terms of the Restated AVL SPA, it is an AVL Condition Precedent that the SIC grants the Obliged Parties a waiver of the obligation to make a mandatory general offer under Rule 14 of the Code arising from the issue of the Consideration Shares (and such waiver not having revoked, repealed or amended as of the AVL Completion Date), and such waiver being subject to:

(i) any conditions that the SIC may impose, such conditions being acceptable to the AVL Shareholders and the Company (to the extent that any condition imposed relates to matters to be fulfilled or complied with by the Company), and to the extent that any such conditions are required to be fulfilled on or before the AVL Completion Date, they are so fulfilled; and

(ii) the Proposed Whitewash Resolutions having been passed by the Shareholders at the EGM.

A. Siow Whitewash Resolution

The SIC had, on 13 March 2017, waived the requirement for Mr. Siow to make a mandatory offer for the Company under Rule 14 of the Code following his acquisition of such number of Consideration Shares under the Proposed AVL Acquisition subject to:

(a) a majority of holders of voting rights of the Company present and voting at the EGM, held before the issue of the Consideration Shares, approve by way of a poll, the Siow Whitewash Resolution to waive their rights to receive a general offer from Mr. Siow and his concert parties;

(b) the Siow Whitewash Resolution is separate from other resolutions;

(c) Mr. Siow, parties acting in concert with him and parties not independent of him abstain from voting on the Siow Whitewash Resolution;

(d) Mr. Siow and his concert parties did not acquire or are not to acquire any shares in the Company or instruments convertible into and options in respect of shares in the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares in the Company which have been disclosed in this Circular):

(i) during the period between the date of the First Announcement and the date Shareholders' approval is obtained for the Siow Whitewash Resolution; and

(ii) in the six (6) months prior to the date of the First Announcement, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed AVL Acquisition;

(e) the Company appoints an independent financial adviser to advise the Independent Shareholders on the Siow Whitewash Resolution;

(f) the Company sets out clearly in this Circular to Shareholders:

(i) details of the Proposed AVL Acquisition;

(ii) the possible dilution effect to existing holders of voting rights as a result of the issue of such number of Consideration Shares to Mr. Siow under the Proposed AVL Acquisition;

(iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of shares of the Company held by Mr. Siow and his concert parties as at the Latest Practicable Date;

(iv) the number and percentage of voting rights to be issued to Mr. Siow upon the subscription of the Consideration Shares under the Proposed AVL Acquisition; and

(v) that Shareholders, by voting for the Siow Whitewash Resolution, are waiving their rights to a general offer from Mr. Siow at the highest price paid by Mr. Siow and his concert parties for Shares in the Company in the past six (6) months preceding the commencement of the offer;

(g) this Circular by the Company to its Shareholders states that the waiver granted by SIC to Mr. Siow from the requirement to make a general offer under Rule 14 is subject to the conditions stated at Sections 3.3(A)(a) to (f) above;

(h) the Company obtains SIC's approval in advance for those parts of this Circular that refer to the Siow Whitewash Resolution; and

(i) to rely on the Siow Whitewash Resolution, the acquisition by Mr. Siow of the Consideration Shares must be completed within three (3) months of the date of approval of the Siow Whitewash Resolution.

B. Tan Concert Parties Whitewash Resolution

The SIC had, on 13 March 2017, waived the requirement for the Tan Concert Parties to make a mandatory offer for the Company under Rule 14 of the Code following their acquisition of such number of Consideration Shares under the Proposed AVL Acquisition subject to:

(a) a majority of holders of voting rights of the Company present and voting at the EGM, held before the issue of the Consideration Shares, approve by way of a poll, the Tan Concert Parties Whitewash Resolution to waive their rights to receive a general offer from the Tan Concert Parties and their concert parties;

(b) the Tan Concert Parties Whitewash Resolution is separate from other resolutions;

(c) the Tan Concert Parties, parties acting in concert with them and parties not independent of them abstain from voting on the Tan Concert Parties Whitewash Resolution;

(d) the Tan Concert Parties and their concert parties did not acquire or are not to acquire any shares in the Company or instruments convertible into and options in respect of shares in the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares in the Company which have been disclosed in this Circular):

(i) during the period between the date of the First Announcement and the date Shareholders' approval is obtained for the Tan Concert Parties Whitewash Resolution; and

(ii) in the six (6) months prior to the date of the First Announcement, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed AVL Acquisition;

(e) the Company appoints an independent financial adviser to advise the Independent Shareholders on the Tan Concert Parties Whitewash Resolution;

(f) the Company sets out clearly in this Circular to Shareholders:

(i) details of the Proposed AVL Acquisition;

(ii) the possible dilution effect to existing holders of voting rights as a result of the issue of such number of Consideration Shares to the Tan Concert Parties under the Proposed AVL Acquisition;

(iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of shares of the Company held by the Tan Concert Parties and their concert parties as at the Latest Practicable Date;

(iv) the number and percentage of voting rights to be issued to the Tan Concert Parties upon the subscription of the Consideration Shares under the Proposed AVL Acquisition; and

(v) that Shareholders, by voting for the Tan Concert Parties Whitewash Resolution, are waiving their rights to a general offer from the Tan Concert Parties at the highest price paid by the Tan Concert Parties and their concert parties for Shares in the Company in the past six (6) months preceding the commencement of the offer;

(g) this Circular by the Company to its Shareholders states that the waiver granted by SIC to the Tan Concert Parties from the requirement to make a general offer under Rule 14 is subject to the conditions stated at Sections 3.3(B)(a) to (f) above;

(h) the Company obtains SIC's approval in advance for those parts of this Circular that refer to the Tan Concert Parties Whitewash Resolution; and

(i) to rely on the Tan Concert Parties Whitewash Resolution, the acquisition by the Tan Concert Parties of the Consideration Shares must be completed within three (3) months of the date of approval of the Whitewash Resolution.

In connection with the condition in paragraph 3.3(A)(d) and paragraph 3.3(B)(d) above, none of the Obliged Parties has traded in the Shares during the period commencing on a date six (6) months prior to the First Announcement Date and up to the Latest Practicable Date.

As at the Latest Practicable Date, all the above conditions imposed by the SIC (save and except for paragraph 3.3(A)(a), (c) and (i) and paragraph 3.3(B)(a), (c) and (i) above) have been satisfied.

3.4 Implications of the Proposed Whitewash Resolutions

Pursuant to the letter dated 13 March 2017 from the SIC, Shareholders will be required to vote by way of poll on the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution, which are set out as Ordinary Resolution 3 and Ordinary Resolution 4 respectively in the Notice of EGM attached to this Circular, waiving your rights to receive a general offer from:

(i) Mr. Siow and/or parties acting in concert with him, for the remaining Consolidated Shares not owned or agreed to be acquired by Mr. Siow and/or parties acting in concert with him; and

(ii) the Tan Concert Parties and/or parties acting in concert with them, for the remaining Consolidated Shares not owned or agreed to be acquired by the Tan Concert Parties and/or parties acting in concert with them.

Shareholders should note that:

(a) their approval of the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution is an AVL Condition Precedent to the completion of the Proposed AVL Acquisition, and if Shareholders do not vote in favour of the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution, the Proposed AVL Acquisition will not take place;

(b) by voting in favour of the Siow Whitewash Resolution, they will be waiving their rights to receive the general offer for all the Consolidated Shares which Mr. Siow and/or parties acting in concert with him would otherwise be obliged to make at the highest price (as adjusted for the Proposed Share Consolidation) paid or agreed to be paid by them for the Consolidated Shares in the past six (6) months preceding the allotment and issuance of the Consolidation Shares pursuant to the Proposed AVL Acquisition, in accordance with Rule 14 of the Code and Section 139 of the SFA;

(c) by voting in favour of the Tan Concert Parties Whitewash Resolution, they will be waiving their rights to receive the general offer for all the Consolidated Shares which the Tan Concert Parties and/or parties acting in concert with them would otherwise be obliged to make at the highest price (as adjusted for the Proposed Share Consolidation) paid or agreed to be paid by them for the Consolidated Shares in the past six (6) months preceding the allotment and issuance of the Consolidation Shares pursuant to the Proposed AVL Acquisition, in accordance with Rule 14 of the Code and Section 139 of the SFA; and

(d) by voting for the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution, Shareholders could be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the allotment and issuance of the Consideration Shares.

3.5 Advice of the IFA

Xandar has been appointed as the IFA to the Directors in relation to the Proposed Whitewash Resolutions. Having taken into account a range of factors which the IFA considers to be pertinent and have a significant bearing on the IFA's assessment of the Proposed AVL Acquisition and the Proposed Whitewash Resolutions, the IFA is of the opinion that:

(a) on balance, the terms of the Proposed AVL Acquisition, being the subject of the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution, are fair and reasonable; and

(b) the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution are not prejudicial to the interests of the Independent Shareholders.

Accordingly, the IFA advises the Directors to recommend to the Independent Shareholders to vote in favour of the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution.

A copy of the IFA Letter is reproduced in Appendix A entitled "Letter from the IFA to the Directors in respect of the Proposed Whitewash Resolutions" to this Circular. Shareholders are advised to read the copy of the IFA Letter in its entirety.

4. THE PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL AND THE PROPOSED SHARE CONSOLIDATION

4.1 Details of the Proposed Increase in Authorised Share Capital

The existing authorised share capital of the Company is S$10,000,000 divided into 1,000,000,000 Shares of a nominal or par value of S$0.01 each. The existing issued and paid-up share capital of the Company does not exceed its current authorised share capital.

Pursuant to the Proposed AVL Acquisition, the Company shall allot and issue 1,071,428,569 new Consolidated Shares. In furtherance of the Proposed AVL Acquisition, the Directors propose to undertake the Proposed Increase in Authorised Share Capital and the Proposed Share Consolidation to enable the Company to allot and issue the Consideration Shares in satisfaction of the AVL Consideration. Accordingly, upon completion of the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement, the total number of shares in the Company will be 1,268,314,070 Consolidated Shares.

There will not be any impact to the shareholdings of each Shareholder solely as a result of the Proposed Increase in Authorised Share Capital. Please refer to Section 10 entitled "Financial Effects of the Proposed Transactions" for the financial effects on the Enlarged Group as a result of the Proposed Transactions. The Proposed Increase in Authorised Share Capital is subject to the approval of the Shareholders.

4.2 Details of the Proposed Share Consolidation

Rule 429 of the Catalist Rules requires the issue price of shares offered for a subscription or sale, for which a listing is sought, to be at least S$0.20 each.

To comply with the Minimum Issue Price, the Parties agree that the Company will undertake the Proposed Share Consolidation pursuant to which the Company will consolidate every four (4) Shares of a nominal or par value of S$0.01 each, as at the Consolidation Books Closure Date, into one (1) Consolidated Share. Accordingly, after the Consolidation Books Closure Date, every four (4) Shares of a nominal or par value of S$0.01 each will be consolidated to constitute one (1) Consolidated Share of a nominal or par value of S$0.04 each.

Shareholders should note that the number of Consolidated Shares which they will be entitled to pursuant to the Proposed Share Consolidation, based on their shareholdings as at the Consolidation Books Closure Date, will be rounded down to the nearest whole Consolidated Share and any fractions of Consolidated Shares arising from the Proposed Share Consolidation will be disregarded. Fractions of a Consolidated Share arising from the Proposed Share Consolidation may be dealt with in such manner as the Board of Directors may, in their absolute discretion, deem fit in the interests of the Company including aggregating and selling the same and retaining the net proceeds for the benefit of the Company and/or purchasing of any or all of the fractional Consolidated Shares and retaining the net proceeds of the share purchase for the benefit of the Company.

For illustrative purposes, if a Shareholder holds 4,000 Shares as at the Consolidation Books Closure Date, following the Proposed Share Consolidation and rounding down to the nearest whole Consolidated Share and disregarding any fractions of Consolidated Shares arising from the Proposed Share Consolidation, the Shareholder will be entitled to 1,000 Consolidated Shares.

Each Consolidated Share will rank *pari passu* with each other, and will be traded in board lots of 100 Consolidated Shares. Immediately after the Proposed Increase in Authorised Share Capital and the Proposed Share Consolidation, the Company will have an authorised share capital of S$100,000,000 divided into 2,500,000,000 Consolidated Shares of a nominal or par value of S$0.04 each, and an issued and paid-up share capital of S$6,835,420.03 (or approximately RM21,653,243.57) comprising 170,885,501 Consolidated Shares of a nominal or par value of S$0.04 each. Immediately after the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, the Company will have an authorised share capital of S$100,000,000 divided into 2,500,000,000 Consolidated Shares of a nominal or par value of S$0.04 each, and an issued and paid-up share capital of S$50,732,562.80 (or approximately RM160,710,612.44) comprising 1,268,314,070 Consolidated Shares of a nominal or par value of S$0.04 each, fractional Consolidated Shares and entitlements to be disregarded.

The Proposed Share Consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no effect on the equity of the Company.

Shareholders are not required to make any payment to the Company in respect of the Proposed Share Consolidation. Subject to approval of Shareholders being obtained for the Proposed Share Consolidation at the EGM, the number of Consolidated Shares held by Shareholders arising from the Proposed Share Consolidation will be ascertained on the Consolidation Books Closure Date.

4.3 Rationale for the Proposed Share Consolidation

The Proposed Share Consolidation is to be undertaken in connection with the Proposed Increase in Authorised Share Capital, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement so as to ensure compliance with the Minimum Issue Price on the Completion Date. On 1 February 2008, the SGX-ST issued a guidance note to state that the Minimum Issue Price for initial public offerings should also apply to reverse takeovers. Rule 429 of the Catalist Rules also states that where the consideration for the acquisition of assets by the issuer is to be satisfied by the issue of shares, the price per share of the issuer after adjusting for any share consolidation must not be lower than S$0.20.

4.4 Conditions

Shareholders should note that the implementation of the Proposed Share Consolidation is subject to Shareholders' approval for the Proposed Share Consolidation, the Completion and the completion of the Proposed Compliance Placement. Shareholders should also note that under the Restated AVL SPA, Shareholders' approval for the Proposed Share Consolidation is an AVL Condition Precedent to completion of the Proposed AVL Acquisition and if Shareholders' approval of the Proposed Share Consolidation is not obtained, the Proposed AVL Acquisition will not proceed to Completion. Shareholders should refer to Section 1 entitled "Introduction" of this Circular on the inter-conditionality/conditionality of the resolutions contained in this Circular.

4.5 Administrative procedures

(a) Updating of Register of Members and Depository Register

After Shareholders' approval has been obtained for the Proposed Share Consolidation at the EGM, Shareholders' entitlements of the Consolidated Shares will be determined on the Consolidation Books Closure Date, whereupon the Register of Members and the depository register will be updated to reflect the number of Consolidated Shares held by Shareholders (or depositors, as the case may be) based on their shareholdings in the Company as at the Consolidation Books Closure Date.

(b) Deposit of share certificates with CDP

Shareholders who hold old physical share certificates for the existing Shares ("**Old Share Certificates**") in their own names and who wish to deposit the same with CDP and have their Consolidated Shares credited to their Securities Accounts maintained with CDP must deposit their Old Share Certificates, together with the duly executed instruments of transfer in favour of CDP, no later than 12 Market Days before the Consolidation Books Closure Date.

After the Consolidation Books Closure Date, CDP will only accept for deposit share certificates for Consolidated Shares ("**New Share Certificates**"). Shareholders who wish to deposit their New Share Certificates with CDP after the Consolidation Books Closure Date must first deliver their Old Share Certificates to the Company's Share Registrar and Share Transfer Agent, Boardroom Corporate & Advisory Services

Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, for cancellation and issue of New Share Certificates in replacement thereof as described below.

(c) Issue of New Share Certificates

Shareholders who have deposited their existing share certificates with CDP at least 12 Market Days prior to the Consolidation Books Closure Date need not take any action. The Company will arrange with CDP to facilitate the exchange of New Share Certificates pursuant to the Proposed Share Consolidation.

Shareholders who have not deposited their existing share certificates as aforesaid or who do not wish to deposit their existing share certificates with CDP are advised to forward all their existing share certificates to the Company's Share Registrar and Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, as soon as possible after they have been notified of the Consolidation Books Closure Date and no later than five (5) Market Days after the Consolidation Books Closure Date for cancellation and exchange for New Share Certificates. New Share Certificates will be sent by ordinary mail to the registered addresses of the Shareholders at their own risk within 10 Market Days from the Consolidation Books Closure Date or the date of receipt of the existing share certificates, whichever is the later.

Shareholders are to deliver their respective existing share certificates to the Company's Share Registrar and Share Transfer Agent or CDP only after the announcement of the Consolidation Books Closure Date by the Company.

No receipt will be issued by the Company's Share Registrar and Share Transfer Agent for the receipt of the existing share certificates tendered.

Shareholders should note that New Share Certificates will not be issued to Shareholders unless their existing share certificates have been tendered to the Company's Share Registrar and Share Transfer Agent for cancellation.

Please notify the Company's Share Registrar and Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, if you have lost any of your existing share certificates or if there is any change in your address from that reflected in the Register of Members of the Company.

(d) Share certificates not valid for settlement of trades on SGX-ST

Shareholders who hold physical share certificates are reminded that their existing share certificates will not be valid for settlement of trading in the new Consolidated Shares on the SGX-ST (as the Company is under a book-entry (scripless) settlement system) but will continue to be accepted for cancellation and issue of New Share Certificates in replacement thereof for an indefinite period by the Company's Share Registrar and Share Transfer Agent. Notwithstanding the above, the New Share Certificates will not be valid for delivery for trades done on the SGX-ST although they will continue to be *prima facie* evidence of legal title.

(e) Trading arrangements for the Consolidated Shares and for odd lots

Subject to Shareholders' approval for the Proposed Share Consolidation being obtained at the EGM, with effect from 9.00 a.m. on the Effective Trading Date, trading in the Consolidated Shares will be in board lots of 100 Consolidated Shares. Accordingly, four (4) existing Shares as at 5.00 p.m. on the Market Day immediately preceding the Effective Trading Date will represent one (1) Consolidated Share with effect from 9.00 a.m. on the Effective Trading Date. Trading in the existing Shares will cease after 5.00 p.m. on the Market Day immediately preceding the Effective Trading Date.

The Shares are currently traded in board lots of 100 Shares in the ready market. Following the Proposed Share Consolidation, the Securities Accounts of depositors may be credited with odd lots of Consolidated Shares (i.e. lots other than board lots of 100 Consolidated Shares). The market for trading of such odd lots of Consolidated Shares may be illiquid. Depositors who receive odd lots of Consolidated Shares pursuant to the Proposed Share Consolidation and who wish to trade such odd lots of Consolidated Shares on the SGX-ST should note that odd lots of Consolidated Shares can be traded on the unit share market which, following the Proposed Share Consolidation, would allow trading in odd lots with a minimum size of one (1) Consolidated Share.

4.6 Consolidation Books Closure Date and Effective Trading Date

The announcement on the Consolidation Books Closure Date and the Effective Trading Date in respect of the Proposed Share Consolidation will be made by the Company in due course, after consultation with the Sponsor and Financial Adviser for compliance with the relevant Catalist Rules. Please refer to the section entitled "Indicative Timetable for the Proposed Transactions" of this Circular for further details.

5. THE PROPOSED COMPLIANCE PLACEMENT

5.1 The Proposed Compliance Placement

Assuming the Proposed Compliance Placement does not take place after the completion of the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation and upon the allotment and issuance of the Consideration Shares, it is envisaged that the AVL Shareholders, together with: (i) the Directors, CEO, Substantial Shareholders, or Controlling Shareholders of the Company or its subsidiary companies; and (ii) associates of the persons described in (i) above, will hold more than 85.0% of the enlarged issued share capital of the Company.

In accordance with Rule 724 of the Catalist Rules, as the public float of the Company will fall below 10.0% after the completion of the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation and allotment and issuance of the Consideration Shares, the SGX-ST may suspend the trading of the Consolidated Shares.

In compliance with Rule 1015(3) and Rule 406(1) of the Catalist Rules, at least 15.0% of the issued share capital of the Company must be held in the hands of at least 200 shareholders who are members of the public ("**Minimum Public Float**").

To meet the Minimum Public Float, it is intended that the Company undertake the Proposed Compliance Placement:

(a) an issue of the New Placement Shares; and

(b) Tritech selling the Tritech Placement Shares and ACIL selling the ACIL Placement Shares, provided that such sale is mutually agreed between the Vendors, the Company and the Placement Agent, at the price of not less than the Minimum Issue Price in compliance with Rule 429 of the Catalist Rules.

The Company and the Vendors had appointed PPCF as the Placement Agent for the Proposed Compliance Placement. As at the Latest Practicable Date, the terms of the Proposed Compliance Placement have yet to be finalised pending the entry by the Company into a definitive placement agreement with the Placement Agent for the placement by the Company of the New Placement Shares, the Tritech Placement Shares and the ACIL Placement Shares pursuant to the Proposed Compliance Placement. The Proposed Compliance Placement is expected to be completed within three (3) weeks from the date of lodgement of the offer information statement in relation to the Proposed Compliance Placement.

The Proposed Compliance Placement is subject to, *inter alia*, the following conditions being fulfilled:

(i) simultaneous completion of the Proposed Compliance Placement with the completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition;

(ii) approval by Shareholders of the allotment and issuance of the New Placement Shares; and

(iii) the listing and quotation notice for the Consolidated Shares, the Consideration Shares and the New Placement Shares being obtained from the SGX-ST and not been withdrawn.

It should be noted that the listing and quotation notice issued by the SGX-ST for the Consolidated Shares, the Consideration Shares and the New Placement Shares is in no way reflective of the merits of any of the Proposed Transactions, the Capital City Group, the Enlarged Group, the Company, the Shares, the Consolidated Shares, the Consideration Shares and the New Placement Shares.

After the Proposed Share Consolidation, the completion of the Proposed Compliance Placement is expected to take place simultaneously with the allotment and issuance of the Consideration Shares. The New Placement Shares, when allotted and issued, will rank *pari passu* in all respects with the Consolidated Shares then in issue, save for any rights, benefits and entitlements the record date for which is before the date of the Proposed Compliance Placement.

Shareholders' approval will be sought at the EGM for the allotment and issuance of the New Placement Shares, on such terms as may be determined by the Directors including, without limitation, the timing of the Proposed Compliance Placement, if and when they occur, taking into account various factors, including, without limitation, market conditions and prices. The issue price of each Placement Share to be offered under the Proposed

Compliance Placement shall be determined by the Company in consultation with the Sponsor, Financial Adviser and the Placement Agent, but in any event, shall not be less than the Minimum Issue Price.

Shareholders should note that the terms and timing of the Proposed Compliance Placement, if and when they occur, would depend on various factors such as market conditions as well as the entry into a placement agreement on terms and conditions acceptable to the Company and the Placement Agent.

An offer information statement containing further details of the Proposed Compliance Placement will be lodged with the SGX-ST, acting as agent on behalf of the Authority, in due course.

5.2 Use of proceeds

Assuming an issue price of S$0.28 for each Placement Share and a placement commission of 3.5% of the issue price for each Placement Share, the net proceeds to be raised from the Proposed Compliance Placement, after deducting the estimated cash expenses in relation to the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement of approximately S$3.7 million, is estimated to be approximately S$14.4 million.

The Company will not receive any of the proceeds from the sale of the ACIL Placement Shares and the Tritech Placement Shares in the Proposed Compliance Placement. Accordingly, the net proceeds attributable to the Vendors from the sale of the ACIL Placement Shares and the Tritech Placement Shares (after deducting the Vendors' share of the estimated cash expenses of approximately S$0.4 million) will be approximately S$10.5 million.

The Company shall bear the remaining cash expenses relating to the Proposed Transactions. Accordingly, the net proceeds to be raised by the Company from the allotment and issuance of the New Placement Shares (after deducting the Company's share of the estimated cash expenses of approximately S$3.3 million) will be approximately S$3.9 million, which shall be used solely for general working capital purposes of the Enlarged Group.

Save for the placement commission and brokerage or selling commission, none of the expenses incurred in connection with the Proposed Compliance Placement are envisaged to be paid by a subscriber of the New Placement Shares or a purchaser of the ACIL Placement Shares or the Tritech Placement Shares.

The final placement commission and the brokerage or selling commission shall be determined following the entering into a definitive placement agreement with the Placement Agent.

The allocation of each principal intended use of proceeds from the allotment and issuance of the New Placement Shares and the estimated expenses to be incurred by the Company in relation to the Proposed Transactions and other incidental expenses are set out below:

Use of proceeds from the Proposed Compliance Placement	S$'000	As a percentage of the gross proceeds to be raised by the Company from the Proposed Compliance Placement (%)
General working capital	3,958	54.4
Net proceeds	**3,958**	**54.4**
Estimated expenses:		
Listing and application fees	58	0.8
Professional fees	2,965	40.7
Placement commission(1)	255	3.5
Miscellaneous expenses	44	0.6
Gross proceeds attributable to the Company from the Proposed Compliance Placement	**7,280**	**100.0**

Note:

(1) The Vendors and the Company will pay PPCF, as compensation for their services in connection with the Proposed Compliance Placement and pursuant to the placement agreement to be entered into, assuming the Issue Price and a commission of 3.5% of the Issue Price for each New Placement, each ACIL Placement Share and each Tritech Placement Share, respectively. Subject to approval being sought at the EGM for, *inter alia*, the Proposed Share Issue and the Proposed Compliance Placement, the actual placement price of each Placement Share shall be determined by the Company in consultation with the Sponsor, Financial Adviser and the Placement Agent but in any event, shall not be less than the Minimum Issue Price.

In the reasonable opinion of the Directors, there is no minimum amount which must be raised by the Company from the Proposed Compliance Placement.

Pending the use of the net proceeds as aforesaid, the funds will be placed in short-term deposits with financial institutions, used to invest in short-term money market instruments and/or used for working capital requirements as the New Board may deem appropriate. The Company will make periodic announcements as and when the proceeds from the Proposed Compliance Placement are materially disbursed and whether such cause is in accordance with the stated used. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation. The Company will also provide a status report on the use of the net proceeds in its financial results announcements annual report. Any material deviation in the use of the net proceeds will be subject to the Catalist Rules and appropriate announcements will be made by the Company on SGXNET.

6. THE PROPOSED APPOINTMENT OF NEW DIRECTORS

Under the terms of the Restated AVL SPA, the REGL SPA and the FSVL SPA, it is an AVL Condition Precedent, an REGL Condition Precedent and an FSVL Condition Precedent respectively that the Current Board, save for Mr. Aw Eng Hai, is to be removed and the New Directors be appointed, as provided for in Section 2.2(d) entitled "Conditions Precedent" of this Circular.

Independence of Mr. Aw Eng Hai

Mr. Aw Eng Hai will remain as an Independent Director of the Company on the New Board after Completion. Save for being the lead Independent Director of the Company prior to Completion, Mr. Aw Eng Hai does not have any relationship with the Capital City Group or the Company or the directors or shareholders of the Capital City Group Companies or the New Directors. Mr. Aw Eng Hai is not and will not be obligated or bound to take instructions or directions from the New Board in deciding on matters relating to the Enlarged Group.

Accordingly, he will not be influenced or affected by the views or interests of the New Board in respect of any such matters and will be able to exercise independent business judgement with a view to furthering the best interests of the Enlarged Group.

Composition of New Board

Upon Completion, the Current Board will resign to the extent as indicated in the foregoing paragraphs and the Company proposes to appoint the New Directors, comprising the following persons:

Proposed Executive Directors

(a) Mr. Siow; and

(b) Mr. Tham

Proposed Independent Directors

(a) Mr. Dominic Tan; and

(b) Mr. Victor Lye

For further information on each of the Proposed Directors and details on the Audit Committee, the Nominating Committee, and the Remuneration Committee of the Company after Completion please refer to Section 23 entitled "Proposed Directors, Executive Officers and Related Employees" and Section 25 entitled "Corporate Governance" of this Circular.

7. THE PROPOSED CHANGE OF NAME AND THE PROPOSED DIVERSIFICATION OF THE CORE BUSINESS OF THE GROUP

7.1 The Proposed Change of Name

In connection with the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, the Company is proposing to change its name from "Terratech Group Limited" to "Capital World Limited" (the "**New Name**") to reflect the new business activities of the Enlarged Group subsequent to Completion.

Approval from Shareholders for the Proposed Change of Name by way of a special resolution will be sought at the EGM.

Subject to the resolution for the Proposed Change of Name to be passed as a special resolution at the EGM, the Company will register the New Name with the Registrar of Companies in the Cayman Islands in accordance with Cayman Companies Law. Upon the issue of a certificate on change of name to the Company under Cayman Companies Law, the change of name shall become effective.

The Company will issue an announcement to notify Shareholders of the coming into effect of the New Name. The Proposed Change of Name will not affect any of the rights of the Shareholders. All existing share certificates of the Company in issue bearing the existing name of the Company will, after the Proposed Change of Name becoming effective, continue to be evidence of title to shares of the Company and will remain valid for trading, settlement, registration and delivery purposes.

Shareholders who hold physical share certificates of the Company may exchange for certificates bearing the New Name at no cost within one (1) month from the effective date of the Proposed Change of Name by submitting their existing share certificates to the Company's Share Registrar and Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

Upon the Proposed Change of Name becoming effective, all new share certificates of the Company will be issued under the New Name.

7.2 The Proposed Diversification of the Core Business of the Group to include the Business of Capital City Group

Upon Completion, the core business of the Enlarged Group will include that of the Capital City Group's. Accordingly, the Company proposes to diversify its core business to comprise the Existing Business and the Business.

In view of the foregoing, the Enlarged Group could be affected by a number of risks that may relate to the Business or risks that may relate to the markets and industries in which the Business is to be engaged. Risks may arise from, *inter alia*, economic, business, market and political factors, as well as from the integration of the Existing Business and the Business. Shareholders should carefully consider and evaluate each of the risk factors as set out in Sections 13.1 and 13.2 entitled "Risk factor relating to the integration of the Capital City Group and the Group" and "Risk factors relating to the Capital City Group, its Business and industry" respectively of this Circular, together with all other information contained in this Circular.

The undertaking of the Business of the Capital City Group is intended to be in addition to the Enlarged Group's Existing Business, and the Enlarged Group will remain committed to the continuance of its Existing Business for as long as it remains viable. Upon Completion, Dr. Loh Chang Kaan will relinquish his current positions as CEO and Executive Director of the Company and resign from the boards and as the legal representative (where applicable) of the Company and its subsidiaries (namely, Terratech Resources Pte. Ltd., CEP Resources Entity Sdn. Bhd., Qingdao Terratech Resources Co., Ltd. and Shaanxi Hengyu Architectural Interior Engineering Co., Ltd.). Nonetheless, Dr. Loh Chang Kaan will remain as a full-time employee of the Enlarged Group and will assist to oversee the Existing Business. He will continue to work with the existing personnel to manage all aspects of the operations in relation to the Existing Business, including among others, compliance by the Company with the relevant Catalist Rules applicable to mineral, oil and gas companies.

8. THE PROPOSED SHARE ISSUE MANDATE

The General Share Issue Mandate of the Company was obtained at the AGM of the Company held on 26 July 2016, which authorises Directors to allot and issue new Shares in accordance with, and subject to, the provisions of Rule 806 of the Catalist Rules. The aggregate number of Shares which may be issued under the General Share Issue Mandate is determined based on the total number of issued Shares (excluding treasury Shares) at the time of the passing of the General Share Issue Mandate (that is, as at 26 July 2016).

The Company is proposing to seek Shareholders' approval at the EGM for the grant of a new general mandate for the aggregate number of shares which may be issued, to be determined based on the total number of Consolidated Shares (excluding treasury shares) after the completion of the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement ("**Proposed Share Issue Mandate**"). This is in addition to the authorisation to be sought for the Proposed Share Issue in relation to the allotment and issuance of the Consideration Shares and the New Placement Shares as set out in Section 2 entitled "Details of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition" of this Circular and the allotment and issuance of the New Placement Shares as set out in Section 5 entitled "The Proposed Compliance Placement" of this Circular.

Specifically, approval from the Shareholders will be sought for, amongst others, authority to be granted pursuant to Article 12(3) of the Articles of Association and Rule 806 of the Catalist Rules to the New Board to allot and issue new shares in the capital of the Company (whether by way of rights issue, bonus issue or otherwise) and/or make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other Instruments convertible into shares, at any time and upon such terms and conditions, and for such purposes and to such persons as the New Board shall in their absolute discretion deem fit, provided that the aggregate number of new shares to be issued pursuant to such authority shall not exceed 100.0% of the then-existing issued share capital of the Company and that the aggregate number of shares to be issued other than on a pro-rata basis to the then-existing Shareholders shall not exceed 50.0% of the then-existing issued share capital of the Company, and, unless revoked or varied by the Shareholders in general meeting, such authority shall continue in full force until the conclusion of the next AGM or the date by which the next AGM is required by law or the Catalist Rules to be held, whichever is earlier. For this purpose, the "then-existing issued share capital" shall mean the Enlarged Share Capital.

The Proposed Share Issue Mandate will take effect from the passing of Ordinary Resolution 12 and shall continue in force until the next AGM, unless prior thereto such authority is revoked or varied by the Company in general meeting or the Proposed Share Issue Mandate is carried out to the full extent mandated.

9. THE PROPOSED CHANGE OF FINANCIAL YEAR END

In connection with the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, in order to align the Company's financial year end with those of the rest of the entities in the Enlarged Group (being the Company, its subsidiaries, and the Capital City Group Companies), the Company proposes to change its financial year end from 31 March to 30 June of each year following Completion. The change in the financial year end of the Company will facilitate the preparation of the consolidated financial statements of the Enlarged Group, and increase cost-efficiencies by reducing audit and accounting charges resulting from two (2) different year end dates.

Following the change in its financial year end, the Company intends to hold its next annual general meeting on or before 31 October 2017 in compliance with the Catalist Rules and its Articles of Association. The Company will make further announcements to update Shareholders of the change of financial year end as may be necessary from time to time.

10. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

The pro forma financial effects of the Proposed Transactions are for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Enlarged Group following completion of the Proposed Transactions. The pro forma financial effects of the Proposed Transactions on the share capital, earnings, NTA and gearing of the Enlarged Group have been prepared based on the audited financial results of the Group for FY2016, the unaudited financial results of the Group for the three-month financial period ended 30 September 2016 and the audited combined financial statements of AVL and its subsidiaries for FY2016.

10.1 Bases and assumptions

For the purposes of illustration, the financial effects of the Proposed Transactions are computed based on, *inter alia*, the following assumptions:

(a) the financial effects on the profit and EPS of the Enlarged Group are computed assuming that the Proposed Transactions have been completed on 1 July 2015;

(b) the financial effects on share capital, NTA and gearing of the Enlarged Group are computed assuming that the Proposed Transactions have been completed on 30 June 2016;

(c) that the difference between the deemed consideration for the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition and the fair values of net assets of the Enlarged Group, if any, have not been considered and will be determined on the Completion Date when the Vendors have effectively obtained control of the Company. The actual difference could be materially different from the aforementioned assumption;

(d) the aggregate acquisition cost related to the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition is assumed to be approximately S$3.2 million; and

(e) the placement agent commission related to the issuance of the New Placement Shares is assumed to be approximately S$0.3 million.

10.2 Share capital

	Number of Shares/ Consolidated Shares	Issued and Paid-Up Share Capital (S$'000)
Before the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement	683,542,003 Shares	6,835
After the Proposed Increase in Authorised Share Capital and the Proposed Share Consolidation but before the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement	170,885,501 Consolidated Shares	6,835
After the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, but before the Proposed Compliance Placement	1,242,314,070 Consolidated Shares	49,693
After the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement	1,268,314,070 Consolidated Shares	50,733

10.3 NTA and NTA per Share/Consolidated Share

	NTA (S$'000)	Number of Shares/ Consolidated Shares	NTA per Share/ Consolidated Share (cents)
Before the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement	10,334	683,542,003 Shares	1.51
After the Proposed Increase in Authorised Share Capital, and the Proposed Share Consolidation but before the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement	10,334	170,885,501 Consolidated Shares	6.05
After the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition but before the Proposed Compliance Placement	25,629	1,242,314,070 Consolidated Shares	2.06
After the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement	26,669	1,268,314,070 Consolidated Shares	2.10

10.4 Profit and EPS

	(Loss)/Profit for FY2016 (S$'000)	Number of Shares/ Consolidated Shares	(Loss)/Profit per Share/ Consolidated Share (cents)
Before the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement	(2,942)	683,542,003 Shares	(0.43)
After the Proposed Increase in Authorised Share Capital and the Proposed Share Consolidation but before the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement	(2,942)	170,885,501 Consolidated Shares	(1.72)
After the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition but before the Proposed Compliance Placement	11,492	1,242,314,070 Consolidated Shares	0.93
After the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement	11,492	1,268,314,070 Consolidated Shares	0.91

10.5 Gearing

	Total borrowings (S$'000)	Total shareholders' funds (S$'000)	Gearing[(1)] (times)
Before the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement	3,540	15,880	0.22
After the Proposed Increase in Authorised Share Capital and the Proposed Share Consolidation but before the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement	3,540	15,880	0.22
After the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition but before the Proposed Compliance Placement	88,778	126,361	0.70
After the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement	88,778	127,401	0.70

Note:

(1) Gearing is determined based on net debt divided by total capital plus net debt. The Enlarged Group's net debt includes loans and borrowings, trade and other payables, less cash and bank balances. Capital refers to equity attributable to the equity holders of the Company.

11. SUBMISSION TO THE SGX-ST

On 6 February 2017, the Sponsor had submitted the pre-admission notification to the SGX-ST. A copy of this Circular has been lodged by the Sponsor with the SGX-ST, acting as agent on behalf of the Authority, on 29 March 2017 for posting on the SGX-ST website.

Pursuant to Appendix 4F of the Catalist Rules, the SGX-ST is expected to issue a listing and quotation notice in respect of the Consolidated Shares, the Consideration Shares and the New Placement Shares upon lodgement of this Circular with the SGX-ST, acting as agent on behalf of the Authority.

It should be noted that the listing and quotation notice issued by the SGX-ST is in no way reflective of the merits of any of the Proposed Transactions, the Capital City Group, the Enlarged Group, the Company, the Shares, the Consolidated Shares, the Consideration Shares or the New Placement Shares.

12. INFORMATION ON THE CAPITAL CITY GROUP

12.1 Background

(a) AVL

AVL (BVI Company Number: 1929626) was incorporated under the BVI Business Companies Act, 2004 as a BVI business company in the BVI, on 23 November 2016. As at the Latest Practicable Date, AVL is authorised to issue 50,000 AVL Shares with a par value of US$1.00 each, and has issued four (4) AVL Shares with a par value of US$1.00 each.

AVL's registered office is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, BVI, and its principal place of business is at 01-02-01 & 02, Pangsapuri Jentayu, Jalan Tampoi, Kawasan Perindustrian Tampoi, Johor Bahru, 81200 Johor, Malaysia. The telephone and facsimile numbers for AVL's principal place of business are 607-238-6622 and 607-236-3322 respectively.

(b) CCP

CCP (Company Registration Number: 1049977-V) was incorporated under the CA 1965 as a private company limited by shares in Malaysia, on 14 June 2013. As at the Latest Practicable Date, CCP's issued and paid-up share capital is RM5,000,000 comprising 5,000,000 CCP Shares. CCP is primarily engaged in the Business, such as the development of Project Capital City.

CCP's registered office is at 50-1, 52-1 and 54-1, Jalan BPM 2, Taman Bukit Piatu Mutiara, 75150 Melaka, Malaysia and its principal place of business is at 01-02-01 & 02, Pangsapuri Jentayu, Jalan Tampoi, Kawasan Perindustrian Tampoi, Johor Bahru, 81200 Johor, Malaysia. The telephone and facsimile numbers for CCP's principal place of business are 607-238-6622 and 607-236-3322 respectively.

(c) CCMPL

CCMPL (Company Registration Number: 201623598E) was incorporated under the Companies Act (Chapter 50) of Singapore as a private company limited by shares in Singapore, on 30 August 2016. As at the Latest Practicable Date, CCMPL's issued and paid-up share capital is S$1.00 comprising one (1) ordinary share, which is held by CCP. CCMPL is currently the representative office of the Capital City Group in Singapore, and will subsequently be undertaking sales and marketing of the Capital City Group's projects in Singapore.

(d) REGL

REGL (BVI Company Number: 1923107) was incorporated under the BVI Business Companies Act, 2004 as a BVI business company in the BVI, on 9 September 2016. As at the Latest Practicable Date, REGL is authorised to issue 50,000 REGL Shares with a par value of US$1.00 each, and has issued 100 REGL Shares with a par value of US$1.00 each.

REGL's registered office is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, BVI and its principal place of business is at 01-02-01 & 02, Pangsapuri Jentayu, Jalan Tampoi, Kawasan Perindustrian Tampoi, Johor Bahru, 81200 Johor, Malaysia. The telephone and facsimile numbers for REGL's principal place of business are 607-238-6622 and 607-236-3322 respectively.

(e) CCV

CCV (Company Registration Number: 1203195-K) was incorporated under the CA 1965 as a private company limited by shares in Malaysia, on 27 September 2016. As at the Latest Practicable Date, CCV's issued and paid-up share capital is RM100 comprising 100 CCV Shares. CCV is primarily engaged in the Business, such as the development of Project Austin.

CCV's registered office is at 50-1, 52-1 and 54-1, Jalan BPM 2, Taman Bukit Piatu Mutiara, 75150 Melaka, Malaysia.

(f) FSVL

FSVL (BVI Company Number: 1931209) was incorporated under the BVI Business Companies Act, 2004 as a BVI business company in the BVI, on 8 December 2016. As at the Latest Practicable Date, FSVL is authorised to issue 50,000 FSVL Shares with a par value of US$1.00 each, and has issued 100 FSVL Shares with a par value of US$1.00 each.

FSVL's registered office is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, BVI and its principal place of business is at 01-02-01 & 02, Pangsapuri Jentayu, Jalan Tampoi, Kawasan Perindustrian Tampoi, Johor Bahru, 81200 Johor, Malaysia. The telephone and facsimile numbers for FSVL's principal place of business are 607-238-6622 and 607-236-3322 respectively.

(g) CCF

CCF (Company Registration Number: 1211190-A) was incorporated under the CA 1965 as a private company limited by shares in Malaysia, on 2 December 2016. As at the Latest Practicable Date, CCF's issued and paid-up share capital is RM100 comprising 100 CCF Shares. CCF is primarily engaged in the Business, such as the development of Project Sitiawan Wellness Hub.

CCF's registered office is at 50-1, 52-1 and 54-1, Jalan BPM 2, Taman Bukit Piatu Mutiara, 75150 Melaka, Malaysia.

12.2 History

Prior to the incorporation of CCP, CCP's executive director, Mr. Siow, had for about 30 years undertaken the design and development of various property projects in Malaysia and overseas, some of which have won industry awards and accolades. Some of his notable property projects include the Eco Tree Hotel in Hong Kong and Malacca. For more details on Mr. Siow's working experience, education and professional qualifications, please refer to Section 23.2(a) entitled "Qualifications and working experience of the Proposed Directors" of this Circular.

Through his years of experience in designing and developing property projects, Mr. Siow observed that there was a growing number of landowners holding on to undeveloped land assets. Accordingly, he believed that there was an untapped potential in the market for a niche role as an innovative property developer that focuses on enhancing the value of a landowner's land asset by way of strategic joint venture. In connection therewith, Mr. Siow stepped down from all executive and management roles in his architectural business in 2012 and began looking for alternative opportunities as aforementioned. Mr. Siow remains a non-executive director and shareholder of RDC Arkitek. Please refer to Section 24 entitled "Interested Person Transactions and Potential Conflicts of Interest" of this Circular for further details.

In early 2013, Achwell Property approached Mr. Siow with a plan to develop shophouses on the CCP Land Asset. Based on his experience, Mr. Siow assessed that there was greater value realisation in developing the CCP Land Asset as an integrated property project, and convinced Achwell Property to enter into a joint venture to do so. This culminated in the incorporation of CCP on 14 June 2013.

Immediately after its incorporation, CCP undertook preparation work leading up to its entry into the Achwell JVA with Achwell Property on 26 December 2013, pursuant to which CCP and Achwell Property agreed to develop and construct Project Capital City, an integrated property project comprising a retail mall, hotel and serviced suites, and serviced apartments on the CCP Land Asset in Tampoi, Johor Bahru, Malaysia, on a joint venture basis in accordance with the terms and conditions of the Achwell JVA. Please refer to Section 12.3(b) entitled "Project Capital City and the Achwell JVA" of this Circular for more details.

Thereafter, at the end of December 2013, CCP launched the sale of the Units of Project Capital City.

In June 2014, CCP commenced supervising and managing the construction on Project Capital City, pursuant to the Achwell JVA.

In September 2014, Project Capital City was awarded five (5) stars for Best Mixed-use Development in Malaysia and was highly commended in the category for Commercial High-rise Development in Malaysia at the Asia Pacific International Property Awards 2014 – 2015. Please refer to Section 12.10 entitled "Awards and accolades" of this Circular for further details.

On 19 March 2015, CCP entered into the Management Agreement with Hilton Worldwide in relation to the provision of hotel management services for its Hotel, under the brand "Hilton Garden Inn" for an initial operating term of 15 years, with an option for extension. Please refer to Appendix G to this Circular for a summary of the material terms of the Management Agreement.

On 30 August 2016, CCMPL was incorporated to establish the Capital City Group's presence in Singapore.

On 27 September 2016, CCV was incorporated to enter into a joint venture agreement with EHSB to undertake the development of Project Austin in Tebrau, Johor Bahru, Malaysia. On 2 December 2016, CCF was incorporated to undertake the development of Project Sitiawan Wellness Hub with PESB and MTSB on a joint venture basis in Pengkalan Baharu, Perak, Malaysia. Please refer to Section 12.3(c) entitled "Project Austin and the EHSB JVA", Section 12.3(d) entitled "Project Sitiawan Wellness Hub and the Perak JVA" and Section 26 entitled "Material Contracts" of this Circular for further details.

In January 2017, the Capital City Group undertook the Restructuring Exercise in order to rationalise its group structure which involved the acquisitions by AVL, REGL and FSVL of the entire issued and paid-up share capitals of CCP, CCV and CCF respectively, and pursuant to which, upon completion of the transactions, AVL, REGL and FSVL would become the holding companies of CCP, CCV and CCF respectively. Please refer to Section 14.1 entitled "Group structure of the Capital City Group" of this Circular for further details on the group structure of the Capital City Group.

12.3 Business overview

(a) Principal activity of the Capital City Group

The Capital City Group is an integrated property developer that focuses on working with landowners on a joint venture basis to enhance the value of the landowner's land asset. Based in the Johor region of Malaysia, it undertakes the conception, design and implementation of integrated property projects.

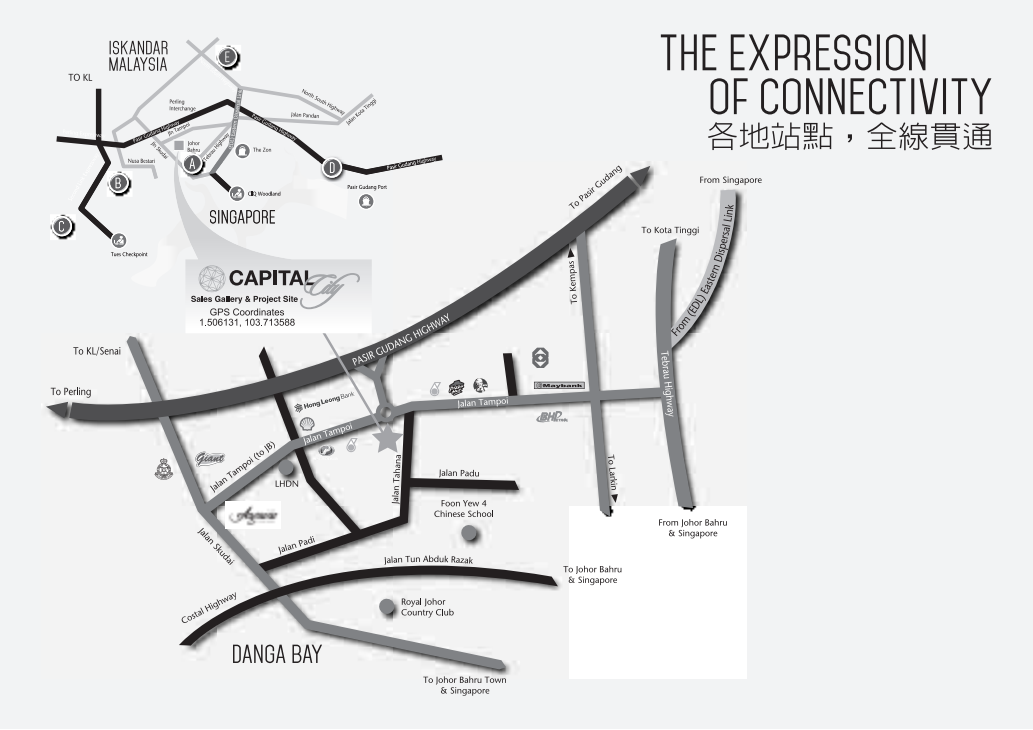
The Capital City Group's niche business model of working with landowners on a joint venture basis allows it to reap significant economic benefits, given that the Capital City Group is not required to incur any significant capital outlay in relation to the acquisition of land banks. As the Capital City Group strategically undertakes the development of land assets which are ready for development, this sets the Capital City Group apart from conventional property developers which typically have to maintain and continually replenish suitable land banks of development sites sufficient to support their development pipelines. Instead, the Capital City Group maintains a steady pipeline of projects and network of partners that provide sustainability to its business.

The Capital City Group is currently developing Project Capital City, an integrated property project comprising a retail mall, hotel and serviced suites and serviced apartments on the CCP Land Asset, on a joint venture basis with Achwell Property in accordance with the terms of the Achwell JVA. The Capital City Group has also entered into the EHSB JVA to develop Project Austin, an integrated development project expected to comprise a retail mall, office suites, hotel and residential apartments, and the Perak JVA in respect of Project Sitiawan Wellness Hub, a mixed development project focusing on providing health and wellness services.

(b) Project Capital City and the Achwell JVA

CCP and Achwell Property had entered into the Achwell JVA to develop, on a joint venture basis, Project Capital City. A summary of the terms of the Achwell JVA are set out in Appendix G to this Circular.

Upon completion, Project Capital City will be a freehold integrated development in Johor Bahru, Johor, Malaysia. It is the first integrated project of its kind in the Tampoi region in Johor Bahru. The following map sets out the location of Project Capital City:



Project Capital City is strategically located along Jalan Tampoi, which links the city centre and residential areas from Nusajaya to the Senai International Airport. It is connected to all major highways and provides easy access to other government-initiated growth areas such as Legoland, Danga Bay Convention Centre and the Tebrau Plentong mixed development areas. Its proximity to Singapore, the Johor Port and Pelabuhan Tanjung Pelepas port also makes it accessible to expatriates and other foreigners.

Built on a 40,851.932 sq m land site in Tampoi, Johor Bahru, Project Capital City is expected to comprise:

(i) a retail concept mall of six (6) levels of retail space and one (1) storey of common facilities with gross floor area of approximately 113,849 sq m ("**Capital 21**");

(ii) a 16-storey international hotel with 315 hotel rooms, branded "Hilton Garden Inn" and to be managed by Hilton Worldwide, with gross floor area of approximately 12,153 sq m ("**Hotel**");

(iii) an 18-storey tower comprising 630 units of hotel-style serviced suites, with gross floor area of approximately 33,780 sq m ("**Serviced Suites**"); and

(iv) three (3) 15-storey blocks comprising in aggregate 690 units of serviced apartments, with gross floor area of approximately 49,434 sq m ("**Serviced Apartments**").

On 16 February 2017, CCP had received the planning permission reflecting the proposed development of Project Capital City as stated above.

As at the Latest Practicable Date, the Capital City Group has completed the construction of the structure of Capital 21 and has commenced the construction of the multi-storey car park of Project Capital City.

Capital 21, which is expected to commence operations in 2018, is envisioned to be a thematic mall, featuring a wide range of amenities such as 1,655 retail Units, ballrooms, clubhouse, a world museum, cineplex and a children's theme park. As at the Latest Practicable Date, the Capital City Group also holds 242 Retained Units in Capital 21, which have been or are intended to be rented out by the Capital City Group, or sold to purchasers in the future.

Five (5) out of the six (6) retail floors of Capital 21 will take on themes of the famous major cities of the world, with each retail floor representative of one of the five (5) continents – America, Europe, Australia/Oceania, Asia and Africa/Middle East. The ground floor of Capital 21 will take on the theme of "High Fashion", and will consist of major fashion and consumer brands.

On 15 January 2016, the Capital City Group engaged BCI Asia to organise an interior design competition entitled "Design Capital 21", which was open to participants around the world to submit their design plans for any one of the five (5) themed retail floors, to be representative of the continent of such floor by bringing to life the characteristics and identities of its capital cities.

On 22 June 2016, the winners of "Design Capital 21" were announced, after an intensive two (2) day jury meeting comprising an international panel of jurors, each an accomplished professional well-known in their respective fields of architecture, design, interior design, branding and retail. Each winner was awarded prize money of US$10,000, free interior design magazine subscriptions and a plaque/trophy in recognition of their achievements.

As at the Latest Practicable Date, construction of the Hotel, Serviced Suites and Serviced Apartments has yet to commence. The Hotel and Serviced Suites are expected to commence operations in 2019, while the Serviced Apartments are expected to be completed by 2020.

As at the Latest Practicable Date, sale and purchase agreements have been executed in respect of approximately 63.3% of the retail Units in Capital 21 and approximately 28.6% of the Serviced Suites Units available for sale.

(c) Project Austin and the EHSB JVA

CCV and EHSB had entered into the EHSB JVA to develop, on a joint venture basis, Project Austin. A summary of the terms of the EHSB JVA is set out in Appendix G to this Circular.

Project Austin will be built on a land site measuring approximately 27,670 sq m in Tebrau, Johor Bahru, Johor, Malaysia. In line with the Capital City Group's strategy which it has adopted for Project Capital City, the Capital City Group intends to develop an integrated development comprising a multi-storey retail mall, office suites, hotel and residential apartments, subject to the approval of the relevant authorities.

As at the Latest Practicable Date, the application for the planning permission in respect of Project Austin was submitted to the relevant authorities on 9 March 2017 for approval.

(d) Project Sitiawan Wellness Hub and the Perak JVA

CCF, PESB and MTSB had entered into the Perak JVA to develop, on a joint venture basis, Project Sitiawan Wellness Hub. A summary of the terms of the Perak JVA is set out in Appendix G to this Circular.

Project Sitiawan Wellness Hub is envisaged to be a mixed development, and will be built on a land site measuring approximately 188,062 sq m in Pengkalan Baharu, Perak, Malaysia. Subject to the approval of the relevant authorities, the Capital City Group intends to develop Project Sitiawan Wellness Hub as a destination for tourists seeking health and wellness services, particularly residents from the proximate cities of Ipoh and Kuala Lumpur.

As at the Latest Practicable Date, no development or construction activity has commenced on the CCF Land Asset. Following completion of the Proposed Transactions, CCF will submit the necessary applications in respect of Project Sitiawan Wellness Hub to the relevant authorities for approval.

(e) Seasonality of the Business

The Business is not significantly affected by seasonal changes in demand. However, the financial performance of the Capital City Group is based on the projects that it undertakes, and may fluctuate from year to year, depending on factors such as the timing of construction milestones, ability to secure new projects, developments in the future, and changes to existing policies and regulations relating to the property market in Malaysia and the region.

12.4 Business process

The following is a summary of the key stages and processes which the Capital City Group will typically undertake in respect of the property development projects that it undertakes:

(a) Identification of land asset and conceptualisation of strategy

The Capital City Group actively scouts for potential sites for development by tapping into its existing network of business associates including landowners, property developers and other market players. From time to time, landowners and/or property developers will also approach the Capital City Group to jointly develop potential land sites. Upon identifying a potential development site and prior to entering into a joint venture agreement with the landowner, the Capital City Group will conduct initial market research to review the relevant land asset, the economic prospects and the demand and supply conditions in the property market of the potential site. Upon a thorough evaluation of the results of the market research, the management of the Capital City Group, led by Mr. Siow, will begin conceptualising and formulating its overall development strategies to determine how to enhance and maximise the value of the land asset. The internal evaluation and assessment of potential projects include factors such as the consideration due to the landowner for entering into the joint venture, expected returns on investment, the feasibility of carrying out the project, the sustainability of the development, location and accessibility, land characteristics, marketability, the type of development suitable for the potential site, and demand for properties within the area.

The aforementioned factors, which are specific to the development of the identified land asset, will be reviewed together with other wider considerations, including the economic outlook, business environment and market sentiment with regard to the property market. Such development strategies and plans will be reviewed from time to time and revised, if necessary, to adapt to evolving economic, regulatory or market conditions.

(b) Establishment of a joint venture in respect of the land asset

Once a project is deemed to be feasible to undertake, an implementation team, led by a project director and typically comprising a project manager and a liaison personnel, will formulate an implementation plan and project timelines for the proposed development of the land asset. At the same time, legal advisers will prepare a joint venture agreement to be executed between the relevant Capital City Group Company and the landowner, the commercial terms of which will be negotiated by Mr. Siow and the management team with the landowner. Approval from the board of the relevant Capital City Group Company is required to proceed with the establishment of the joint venture.

Prior to entry into a joint venture agreement with the landowner, the Capital City Group undertakes a due diligence exercise on the landowner and the land asset. Such due diligence would cover, *inter alia*, verifying the background and track record of such landowner, checks with the relevant land offices on land titles or samples of the land titles, and where such landowner is a public company, checking against publicly available information.

(c) Development of property

As an integrated property developer, the Capital City Group will identify strategic partners to undertake key services through the extensive network of contacts of the Capital City Group's management and the Capital City Group Directors.

Project planning and design

Upon the establishment of a joint venture between the landowner of the land asset and the Capital City Group, the implementation team of the Capital City Group will assemble and lead a project team comprising professional consultants, including the architects, interior designers, surveyors or engineers (mechanical, electrical, civil and structure). In appointing the relevant professionals, the Capital City Group typically undertakes a selective tendering process and will consider factors such as the contract price, qualifications, reputation, size and portfolio. The Capital City Group initiates, supervises and coordinates the overall management of its property development projects, and oversees the appointment of the professionals for each project.

The Capital City Group will also implement financial controls and budget planning processes to manage and control costs. Depending on the agreement entered into with the landowner of the land asset that the Capital City Group is developing, the Capital City Group may also apply for and obtain the necessary approvals, licences and clearances required for the development, construction and sale of the project.

Construction and development

The Capital City Group selects third party main contractors through a tender process. A main contractor will be appointed to carry out the main building works and the main contractor in turn engages subcontractors, who carry out works or services of a specialised nature such as lift installation, electrical, engineering and plumbing works.

Potential candidates are first shortlisted based on their past track record, recommendations by the professional consultants, organisational and financial capacity and current project commitments. The selective tendering process will be administered by the quantity surveyor who will evaluate and assess all tender returns and conduct tender interviews before submitting their tender reports and award recommendations to the Capital City Group. Among the criteria for the selection of main contractors and subcontractors are the competitiveness of their quotations, ability to commit to project timelines and quality of workmanship and finishing.

An internal project management committee will be formed to coordinate and monitor the development of the project. The Capital City Group may also engage external project management consultants to assist in managing and supervising the project.

The project management committee is responsible for ensuring that the construction of the development progresses in a timely manner, and that the cost control policies adopted by the Capital City Group at the various stages of project conceptualisation, planning and design are effectively implemented in the construction process of the projects. Construction work will be constantly monitored through regular on-site inspections and progress reports.

Regular reviews of project expenditure reports will be carried out by the project management committee to ensure that costs are effectively managed and to prevent or minimise cost overrun.

(d) Sales and marketing

An in-house marketing team formulates marketing strategies and executes the necessary marketing activities, such as preparation of marketing materials and designing and setting up roadshows and showrooms. External sales and marketing agents are also appointed to assist in the marketing activities. The Capital City Group's sales and marketing strategies are generally conducted through the media such as television, radio, internet, advertising in magazines and printing of promotional brochures. The Capital City Group also puts up promotional banners around its property development projects which can be easily seen by the public. In addition to the above, the Capital City Group also adopts innovative marketing and other promotional methods to increase publicity of its projects, for example through design competitions such as "Design Capital 21".

The Capital City Group may conduct pre-launches for the purpose of selling the units of the project prior to completion. Selling prices are set after taking into consideration market trends, development costs, expected investment returns and prevailing supply and demand conditions. The Capital City Group ensures that each sales and marketing agent appointed is familiar with the selling points of the project and that the same is well communicated to potential purchasers.

After securing the purchasers for the units of the projects, the sales administration department of the Capital City Group provides after-sales administrative support such as coordinating the execution of the sale and purchase agreements in respect of the units of the projects, assisting the purchasers in the procurement of loans from financial institutions, and administering instalment payments pursuant to the terms of the sale and purchase agreements.

(e) Quality Assurance

The Capital City Group places great emphasis on and aims to deliver quality projects to establish its reputation and market standing.

In order to ensure quality standards, the Capital City Group implements strict quality assurance procedures at various stages of the property development project. These would include:

(a) implementing stringent processes for selection and appointment of contractors, consultants and professionals;

(b) careful evaluation of architectural and interior design concepts;

(c) carrying out frequent on-site inspection and quality and safety checks;

(d) close and proper supervision of the construction progress and project timeline;

(e) ensuring contractors utilise construction materials and fittings which satisfy the Capital City Group's quality requirements; and

(f) adopting and monitoring national quality control standards and best market practices.

As part of the Capital City Group's continuing efforts in ensuring that it delivers quality projects, the Capital City Group ensures that the third party contractors use suitable, proven and good quality construction materials and fittings. Site inspections are regularly carried out to ensure that the expected level of quality is met and that each stage is constructed according to specifications. In addition, the project management team, professional consultants and third party contractors also convene meetings on a regular basis to keep abreast of the progress of the project as well as to resolve any issues arising thereto.

The Capital City Group also keeps abreast of the development of new and innovative construction materials and methods, which may be of higher aesthetic and performance quality, so as to stay relevant in its engagements with the various third party contractors.

As at the Latest Practicable Date, save as disclosed in Section 13.3 entitled "General risk factors relating to operations in Malaysia – Environmental, health and safety laws could impose material liabilities on the Capital City Group and could require them to incur material capital and operational costs", the Capital City Group has not experienced any major accidents which resulted in serious injury or death in connection with its property development projects and has not experienced any complaints nor encountered any accidents which resulted in censure by the relevant authorities.

12.5 Major Customers

The customers of the Capital City Group are mainly individual end-purchasers of the retail Units. Accordingly, none of the customers of the Capital City Group accounted for 5.0% or more of the Capital City Group's total revenue during the Period Under Review.

The Capital City Group Directors believe that the business and profitability of the Capital City Group will not be materially affected by the loss of any single customer and are currently not dependent on any particular industrial, commercial or financial contract with any customer.

12.6 Major Suppliers

The major suppliers to the Capital City Group are mainly contractors, the landowner, consultants and sales and marketing agents appointed in connection with Project Capital City.

The suppliers who accounted for 5.0% or more of the Capital City Group's total costs during the Period Under Review are set out below:

Name of supplier	Products/services provided	Total costs (%)			
		FY2014	FY2015	FY2016	3M2017
TU	Construction and engineering works	–	74.6	70.1	52.7
Achwell Property	Owner of the CCP Land Asset	–	0.1	22.4	35.0
Various Hatten Group companies[(1)]	Sales and marketing agency services	43.5	8.2	–	–
GS Realty Sdn. Bhd.	Sales and marketing agency services	5.4	4.2	2.8	2.5
RDC Arkitek	Architectural services	5.4	3.8	1.0	1.5
Buildex Global Sdn. Bhd.	Interior design services	6.0	–	–	–

Note:

(1) These companies comprised Hatten Group Sdn. Bhd., Hatten Properties, Hatten Properties Pte. Ltd., Hatten International, Hatten Asset Management, Hatten Hotel (Melaka) Sdn. Bhd., Fuyuu Development Sdn. Bhd., FRSB and Fuyuu Group Sdn. Bhd.

The Capital City Group appoints its suppliers on a project basis and selects them primarily based on factors as described in Section 12.4 entitled "Business process" of this Circular. Depending on their strengths, different suppliers may be appointed by the Capital City Group for each of its projects since the requirements and specifications of each project may differ.

TU is the Capital City Group's main contractor for Project Capital City and accounts for the majority of the Capital City Group's payments to its major suppliers. Up until 11 October 2016, Mr. Siow's sister, Ms. Siow Lan Foong, held a 50.0% equity interest in the share capital of TU. Up until 12 October 2016, Ms. Siow Lan Foong was also a non-executive director of TU.

The increase in the percentage paid to Achwell Property in FY2016 is attributable to the progress payment of Achwell's Entitlement Sum in accordance with the Achwell JVA.

Mr. Colin Tan and Mr. Edwin Tan are directors and/or shareholders of the various Hatten Group companies which provided, among others, management and advisory services, sales and marketing agency services as well as the leasing of office spaces and provision of resources for sales and marketing activities to the Capital City Group. Please refer to Section 24 entitled "Interested Person Transactions and Potential Conflicts of Interest" of this Circular for further details.

Mr. Siow holds a 65.0% equity interest in the share capital of RDC Arkitek and is its non-executive director.

Save for the joint venture agreements entered into with the landowners, the Capital City Group does not generally enter into long-term contracts with its suppliers. As such, the Capital City Group Directors believe that the business and profitability of the Capital City Group will not be materially affected by the loss of any single supplier and are currently not dependent on any particular industrial, commercial or financial contract with any supplier.

To the best of the knowledge of the Capital City Group Directors, they are not aware of any information or arrangement which would lead to a cessation or termination of its current relationship with any of its major suppliers.

Save as disclosed above and in Section 24 entitled "Interested Person Transactions And Potential Conflicts Of Interest" of this Circular, none of the Capital City Group Directors, the Substantial Shareholders of the Capital City Group Companies or their respective associates has any interest, direct or indirect, in any of the major suppliers set out above.

Save as disclosed above and in Section 24 entitled "Interested Person Transactions And Potential Conflicts Of Interest" of this Circular, none of the major suppliers set out above is related, directly or indirectly, to the Directors, Proposed Directors or Controlling Shareholders of the Company.

12.7 Credit policy

(a) Credit policy to customers of the Capital City Group

The Capital City Group generally adopts a progress payment schedule, where purchasers are required to make an upfront payment immediately upon the signing of the sale and purchase agreement in respect of the unit purchased and within 14 days of stipulated milestones. The purchase price is typically paid in full by the time of the handing over of vacant possession of the unit to the purchasers.

For purchasers who are unable to settle payments at the respective stages, interest is chargeable on the unpaid amount in accordance with the sale and purchase agreement.

The trade receivables ageing profile for the Capital City Group as at 30 September 2016 is as follows:

(RM'000)	Total Amount	0 to 30 days	31 to 60 days	61 to 90 days	More than 90 days
Trade receivables ageing	12,796	1,649	1,585	165	9,397

The trade receivables which are more than 90 days due are mainly attributable to purchasers whose loans or financing applications are still pending approval by the financial institutions. Typically, financial institutions may take between three (3) to four (4) months to assess the credit worthiness of a property purchaser before granting approval for the loans or financing. As at the Latest Practicable Date, the Capital City Group has collected approximately RM8.3 million of the trade receivables outstanding.

The management of the Capital City Group does not foresee any issues with the collection of the outstanding trade receivables as these units can be re-released for sale in the event that a purchaser decides to terminate the purchase of the units if the bank loan or financing application is not granted. There was no provision of allowances for impairment of trade receivables and write-offs during the Period Under Review. Notwithstanding, the revenue recognised for the Period Under Review has taken into account the management's expectation of the proportion of trade receivables that can reasonably be collected.

Please refer to Section 13.2 entitled "Risk factors relating to the Capital City Group, its Business and industry – The Capital City Group is subject to risks in relation to its pre-sold units" of this Circular for further details.

(b) Credit policy from suppliers of the Capital City Group

The Capital City Group's main suppliers are building contractors, the landowner, consultants and sales and marketing agents.

The method of payment to the contractors is based on the progress payment scheme in accordance with the agreed stages of completion, including the construction phases of the development properties, subject to certification by the appointed architect or quantity surveyor based on the terms and conditions stated in the building contracts. In line with industry practice, the Capital City Group is required to make an interim payment in respect of that stage of completion, usually within 60 days after certification of the invoice or progress claims.

The Capital City Group makes payment to its sales and marketing agents in connection with the projects that it develops at various stages of sale, namely upon execution of the sale and purchase agreement with the purchaser and the receipt of payment from the purchaser at certain stages in accordance with the progress payment schedule as set out in such sale and purchase agreement.

As at 30 June 2014, 30 June 2015, 30 June 2016 and 30 September 2016, the Capital City Group's trade payables balances amounted to approximately RM3.0 million, RM16.6 million, RM29.5 million and RM49.4 million respectively, which comprised mainly payments for materials and services provided by its suppliers.

The Capital City Group's trade payables' turnover days during the Period Under Review are as follows:

	FY2014	FY2015	FY2016	3M2017
Trade payables' turnover days[(1)]	972	389	442	732

Note:

(1) Trade payables' turnover days is computed as follows:

$$\frac{\text{Average trade payables balances}}{\text{Cost of sales}} \times \text{Number of days}$$

Where:

"**Average trade payables balances**" is based on the average of the opening and closing trade payable balances for the relevant financial year/period; and

"**Number of days**" is defined as the number of calendar days in the relevant financial year/period.

The number of trade payables' turnover days recorded for FY2014 was mainly due to a lower amount of cost of sales that was recognised as Project Capital City was still at its initial stage of construction. The number of trade payables' turnover days decreased in FY2015 and FY2016 mainly due to a higher amount of cost of sales that was recognised in proportion to the percentage of construction work that was carried out for Project Capital City. The number of trade payables' turnover days increased in 3M2017 mainly due to an increase in the amount of trade payables as a result of additional accruals to the progress billings of approximately RM23.7 million which were submitted retrospectively by TU for work which had been completed for Project Capital City.

The costs incurred by the Capital City Group in relation to Project Capital City which include, *inter alia*: (i) the amounts paid to contractors for construction; (ii) professional fees; (iii) construction overheads; and (iv) other directly related costs which are not fully recognised under cost of sales as a substantial portion have been capitalised in the Capital City Group's balance sheet under inventory properties and investment properties in accordance with the accounting standards. Accordingly, the cost of sales recognised during the Period Under Review does not include all the costs incurred by the Capital City Group. Such costs will be recognised progressively as cost of sales based on the percentage of completion method or upon completion of the project.

12.8 Inventory management

Due to the nature of the Capital City Group's business, it does not maintain any inventory.

12.9 Insurance

As at the Latest Practicable Date, the Capital City Group has taken out the following insurance policies:

(a) Fire policy;

(b) Special all risks policy;

(c) Money policy;

(d) Public liability policy; and

(e) Motor vehicle.

The Capital City Group requires the contractors that it appoints for its property development projects to be covered by contractor's all risks and work injury compensation insurances during the construction period and defects liability period of the project.

The above insurance policies are reviewed periodically to ensure that the Capital City Group has sufficient insurance coverage. The Capital City Group Directors are of the view that the insurance coverage from the above insurance policies is sufficient for the Capital City Group's present operations.

12.10 Awards and accolades

The following awards and accolades have been conferred to the Capital City Group and/or in relation to Project Capital City:

Year	Recipient/Development	Award	Awarding organisation
2014	Project Capital City – Capital 21	Highly Commended – Commercial High-rise Development Malaysia	Asia Pacific International Property Awards 2014 – 2015
2014	Project Capital City – Capital 21	Five (5) stars – Best Mixed-use Development Malaysia	Asia Pacific International Property Awards 2014 – 2015

12.11 Intellectual property

As at the Latest Practicable Date, the Capital City Group has applied for registration of the following trademarks:

Mark	Country	Class	Application number	Application date	Status
CAPITAL City	Malaysia	36[1]	2016005844	31 May 2016	Accepted and gazetted[3]
CAPITAL City	Malaysia	37[2]	2016009113	25 August 2016	Accepted and gazetted[4]

Notes:

(1) Insurance; financial affairs, monetary affairs; real estate affairs; all included in class 36.

(2) Building construction; repair; installation services; all included in class 37.

(3) Accepted for registration and advertised in the gazette on 27 October 2016, pursuant to Section 27 of the Trade Marks Act 1976 (Act 175) of Malaysia and Regulation 22 of the Trade Marks Regulation 1997.

(4) Accepted for registration and advertised in the gazette on 12 January 2017, pursuant to Section 27 of the Trade Marks Act 1976 (Act 175) of Malaysia and Regulation 22 of the Trade Marks Regulation 1997.

Save as disclosed above, the business or profitability of the Capital City Group is not materially dependent on any patents, licences, trademarks or other intellectual property rights.

12.12 Research and development

The nature of the Capital City Group's business does not require it to carry out extensive research and development and the Capital City Group has not carried out any significant research and development during the Period Under Review.

12.13 Permits, approvals, licences and government regulations

As at the Latest Practicable Date, save as disclosed in Appendix H entitled "Government Regulations" to this Circular, the Business of the Capital City Group is not subject to any special legislation or regulatory controls which have a material effect on its business and operations other than those generally applicable to companies and businesses operating in the BVI, Malaysia and Singapore.

For a summary of the relevant laws and regulations applicable to the Business of the Capital City Group, please refer to Appendix H entitled "Government Regulations" to this Circular.

The following are the material permits, approvals and licences issued and/or granted to the Capital City Group or in relation to the projects that the Capital City Group has undertaken pursuant to the relevant laws and regulations applicable to the Capital City Group and which are essential for the Business of the Capital City Group (apart from those pertaining to general business requirements):

Holder	Date of grant/ date of expiry	Permits/approvals/ licences	Awarding organisation/ authority
CCP	Dated 21 December 2016 Effective from 1 January 2017 until 31 December 2017	Business premise, agency licence and advertisement licence to conduct the business activity of "housing development" at LG 01 LG-02 01-02-01 & 01-02-02 Pangsapuri Jentayu Kawasan Perindustrian Tampoi 81200 Johor Bahru, Malaysia	JBCC
Achwell Property	Dated 16 February 2017 (supersedes the original planning permission dated 3 March 2015)	Planning permission	JBCC

Holder	Date of grant/ date of expiry	Permits/approvals/ licences	Awarding organisation/ authority
RDC Arkitek[1]	Renewed on 28 April 2016 Valid for one (1) year from 28 April 2016 until 27 April 2017	Building plan approval for Phase 1 on Lots 24850 to 24853, Lots 24855 to 24936 and PTB 20603[4]	JBCC
RDC Arkitek[1]	Renewed on 25 June 2016 Valid for one (1) year from 25 June 2016 until 24 June 2017	Building plan approval for Phase 2[5] on Lots 24850 to 24853, Lots 24855 to 24936 and PTB 20603[4]	JBCC
T.P. Tay Jurutera Perunding[2]	Dated 3 July 2016 Effective from 3 July 2016 and shall expire after 12 months	Road and drainage plan approval for the commercial development on Lots 24850 to 24853, Lots 24855 to 24936 and PTB 20603[4]	JBCC
T.P. Tay Jurutera Perunding[2]	Dated 9 November 2016 Valid for one (1) year from 9 November 2016	Earthworks plan approval for the proposed development on the CCP Land Asset	JBCC
Tetuan Jurutera Perunding Awam YS Sdn. Bhd.[3]	Dated 7 October 2013 Valid for two (2) years during which construction of the sewage system must commence The consultant, Tetuan Jurutera Perunding Awan YS Sdn. Bhd., had commenced construction within the stipulated time frame and the sewage system had been completed and handed over to a licensed provider of sewerage operations and maintenance services	Approval for sewage treatment plant/sewage pump station	Indah Water Sdn. Bhd. (Certified Sewerage Agency of Johor)

Holder	Date of grant/ date of expiry	Permits/approvals/ licences	Awarding organisation/ authority
T.P. Tay Jurutera Perunding[(2)]	Dated 15 August 2016	Supply of water for the commercial development on Lots 24850 to 24853, Lots 24855 to 24936 and PTB 20603[(4)]	SAJ Holdings Sdn. Bhd.
CCP	Dated 20 October 2015	Approval for the acquisition of property under the category of "serviced suites" within Project Capital City by foreign interest	Johor Land Office
CCP	Dated 10 July 2014	Approval for the reduction of minimum price for the acquisition of property by foreign interest in respect of Project Capital City	Johor Land Office

Notes:

(1) The letter of approval is issued to the applicant, namely RDC Arkitek.

(2) The letter of approval is issued to the applicant, namely T.P. Tay Jurutera Perunding.

(3) This letter of approval is issued to the applicant, namely Tetuan Jurutera Perunding Awan YS Sdn. Bhd.

(4) References to Lots 24850 to 24853, Lots 24855 to Lot 24936 and PTB 20603 shall mean the CCP Land Asset, as a result of the amalgamation of these pieces of land.

(5) As CCP has obtained the new planning permission in respect of Project Capital City on 16 February 2017, RDC Arkitek will submit an application to amend the existing building plan approval for Phase 2 to reflect the proposed development of Project Capital City as stated in Section 12.3(b) entitled "Project Capital City and the Achwell JVA" of this Circular.

To the best of the knowledge of the Capital City Group Directors, the Capital City Group has obtained all necessary permits, approvals and licences required for its Business and operations.

As at the Latest Practicable Date, none of the aforesaid permits, approvals and licences has been suspended, revoked or cancelled and to the best of the knowledge and belief of the Capital City Group Directors, they are not aware of any facts or circumstances which would cause such permits, approvals and licences to be suspended, revoked or cancelled, as the case may be, or any applications for or renewal of, any of these permits, approvals and licences to be rejected by the relevant authorities.

Disclosures

Appointment of Resident Directors

Section 122 of the CA 1965 requires every Malaysian company to have at least two (2) directors who each has his principal or only place of residence in Malaysia. However, with effect from 31 January 2017, the first phase of the new Companies Act 2016 of Malaysia ("**CA 2016**") had come into force, repealing the CA 1965. The CA 2016 requires a minimum of one (1) director who is ordinarily resident in Malaysia, in respect of private companies.

Mr. Tham was appointed as a director of CCV since its date of incorporation, and CCF since 28 November 2016. Mr. Tham is a Singapore citizen and principally resident in Singapore. Mr. Siow, the only other director of each of CCV and CCF, is a Malaysian citizen who has his principal place of residence in Malaysia. Accordingly, from the date of Mr. Tham's respective appointments as director of CCV and CCF up until 31 January 2017, each of CCV and CCF may not have been compliant with Section 122 of the CA 1965. The Legal Adviser to the Company as to Malaysia Law has advised the Company that, given the short period of time commencing from Mr. Tham's respective appointments as director of CCV and CCF up until 31 January 2017 which might be inconclusive as to his "principal place of residence", and given that Mr. Tham is in the process of applying for an employment pass which would have enabled him to satisfy the requirement of Section 122 of the CA 1965, there is a low risk of CCV and CCF being found guilty for breach of Section 122 of the CA 1965. Further, there has been no reported criminal case against a company and/or the director in question for any breach of Section 122 of the CA 1965.

As at the Latest Practicable Date, there have not been any penalties, fines or compound notices issued to CCV or CCF in respect of such non-compliance of Section 122 of the CA 1965. If found guilty, each of CCV and CCF will be liable on conviction to a penalty not exceeding RM5,000.

In the event that any penalties or fines are issued to CCV and/or CCF pursuant to their non-compliance with Section 122 of the CA 1965, the Proposed Directors do not expect that the penalties or fines will have any material effect on the Enlarged Group's financial position or results. Mr. Siow, being the Controlling Shareholder of REGL and FSVL, has undertaken to the Company to indemnify and hold harmless, subject to Completion, the Company, CCV and CCF from any and all penalties, losses, liabilities, obligations, damages, costs, expenses, claims, proceedings, actions or demands incurred or suffered by the Company, CCV and/or CCF, whether directly or indirectly, based upon, resulting from or relating to such non-compliance with Section 122 of the CA 1965.

Personal Data Protection

CCP is a data user within the meaning of the PDPA 2010 and as such, is required to have a set of practices, policies and guidelines in place pertaining to personal data protection to ensure compliance with the provisions of the PDPA 2010.

Prior to FY2017, CCP had not implemented any internal policies or guidelines on data protection since its incorporation. In FY2017, the management of CCP has taken steps to put in place a set of internal policies and guidelines that are compliant with the PDPA 2010 and has issued the appropriate data protection notices to its employees and purchasers of the Units of Project Capital City.

As at the Latest Practicable Date, there have not been any penalties, fines or compound notices issued to CCP in respect of such past non-compliance.

Minimum Purchase Price for Foreign Purchasers of Serviced Suites

The circular on the new policy in relation to the acquisition of property by foreign interest in Johor (Circular No. 2/2014) which came into effect on 1 May 2014 ("**Johor Land Circular**") sets out, amongst others, the minimum price of RM1,000,000 per unit for acquisition by foreign interest as well as the approved quota for such acquisition. On 10 July 2014, the Johor Land Office had granted approval to CCP to sell a certain quota of office suites Units and commercial Units to foreign purchasers at a minimum price of RM500,000 per unit. Subsequently on 20 October 2015, approval was granted by the Johor Land Office to CCP to sell a certain quota of Serviced Suites Units below the minimum purchase price of RM1,000,000 per unit. However, such approval by the Johor Land Office did not state the revised minimum price, in which case the default minimum price would be RM1,000,000 in accordance with the Johor Land Circular.

On 26 October 2015, CCP wrote to the office of the Chief Minister of Johor to retain the minimum price of RM500,000 for the Serviced Suites Units as well, and as at the Latest Practicable Date, no response has been received by CCP from the office of the Chief Minister of Johor. Of the eight (8) Serviced Suites Units of Project Capital City sold to foreign purchasers, four (4) Serviced Suites Units were sold for less than RM1,000,000. As each foreign purchaser is required to obtain the approval from the relevant authority for the purchase of property in Malaysia, the Legal Adviser to the Company as to Malaysia Law has advised the Company that in the event that the purchaser is not be able to obtain approval for the purchase of the Unit due to the minimum purchase price being below RM1,000,000, the sale and purchase agreement with such purchaser will be frustrated pursuant to the terms of such sale and purchase agreement.

As at the Latest Practicable Date, there have not been any penalties, fines or compound notices issued to CCP in respect of such non-compliance. The Proposed Directors do not expect that the frustration of such sale and purchase agreements with the foreign purchasers of the Serviced Suites Units will have any material adverse impact on the Enlarged Group's financial position or results given that non-foreign purchasers are the primary target market for, and form the significant majority of, the purchasers of the Serviced Suites Units.

12.14 Competition

To the best of the Capital City Group Directors' knowledge and belief, there are no published statistics or official sources of information with respect to the market share of the Capital City Group and its competitors in the integrated property development industry in Malaysia.

The Capital City Group may face competition posed by existing property developers or other market players entering into joint ventures with landowners. However, to the best of the Capital City Group Directors' knowledge and belief, there are few competitors with a similar non-capital intensive business model.

Notwithstanding the above, even though some of these existing property developers may be more established than the Capital City Group and may have greater brand recognition, financial, technical, marketing and other resources, the Capital City Group Directors believe that the Capital City Group's competitive strengths will enable it to compete effectively in the integrated property development industry.

As at the date of this Circular, save as disclosed in in Section 24 entitled "Interested Person Transactions and Potential Conflicts Of Interest" of this Circular, none of the Capital City Group Directors, the Substantial Shareholders of the Capital City Group Companies or their respective associates has any interest, direct or indirect, in any of the potential competitors of the Capital City Group.

Save as disclosed in Section 24 entitled "Interested Person Transactions and Potential Conflicts Of Interest" of this Circular, none of the Directors, Proposed Directors or Controlling Shareholders of the Company or their respective associates has any interest, direct or indirect, in any of the potential competitors of the Capital City Group.

12.15 Competitive strengths

The Capital City Group Directors believe that the Capital City Group is able to compete effectively with the following competitive strengths:

(a) The Capital City Group is well positioned as a property developer of integrated property projects on a joint venture basis

The Capital City Group is recognised for its ability to bring innovative entertainment and retail concepts to the Johor region. Although a newly established brand name, the Capital City Group has already received several accolades for Capital 21, which was awarded five (5) stars for the category "Best Mixed-Used Development – Malaysia" and being highly commended for the category "Commercial High-Rise Development – Malaysia" at the 2014 Asia Pacific International Property Awards.

Through establishing a working relationship with landowners on a joint venture basis, the Capital City Group creates value-added property developments for landowners to allow them to yield high investment returns from their existing land asset, without incurring any significant capital outlay in relation to the acquisition of land banks. Such a niche business model allows the Capital City Group to reap significant economic benefits, and provides it with flexibility to undertake future projects as it is not required to maintain and continually replenish suitable land banks of development sites sufficient to support any development pipelines, unlike conventional property developers. Instead, the Capital City Group maintains a steady pipeline and network of projects and partners that provides sustainability to its business.

The Capital City Group aims to replicate the business model of Project Capital City to all future property development projects that it undertakes, including Project Austin and Project Sitiawan Wellness Hub. Please refer to Sections 12.3(c) and 12.3(d) entitled "Project Austin and the EHSB JVA" and "Project Sitiawan Wellness Hub and the Perak JVA" respectively of this Circular for further details on Project Austin and Project Sitiawan Wellness Hub.

(b) Strong and experienced management team

The Capital City Group is supported by a strong and experienced management team, led by Mr. Siow, who is an industry veteran possessing 30 years' experience in the design and development of various property development projects in Malaysia and overseas. He is instrumental to the operations and prospects of the Capital City Group. Mr. Siow is supported by Mr. Tham, who possesses more than 30 years of relevant experience in the construction and project management field, and a team of experienced and competent key executives and project managers.

More details of the working experience of the management team are set out in Section 23 entitled "Proposed Directors, Executive Officers and Related Employees" of this Circular.

(c) Good working relations with and strong understanding of the functions and operations of regional regulatory authorities and regulatory frameworks

The Capital City Group has good working relations with and a strong understanding of the functions and operations of the local authorities and governmental agencies, in particular how the various authorities and agencies coordinate with one another. Further, Mr. Siow has a wealth of experience and is well-versed in the statutory and regulatory frameworks of the property development markets in the Southeast Asia region. The Capital City Group has leveraged on such good working relations and strong understanding, and believes that this would continue to benefit its future business operations and projects.

Moving forward, the Capital City Group expects to develop projects that would contribute to the overall development and upgrading of Malaysia and other regions in Southeast Asia. Through Project Capital City and other projects in the pipeline, the Capital City Group Directors believe that the local and regional authorities would view it as one of the more established property developers. The Capital City Group would thus have a significant advantage in partnering with local landowners to manage prime development sites and this would allow it to maintain a sufficient project pipeline integral to its ongoing growth, and eventually become a major player in the transformation of Malaysia and other regions in Southeast Asia going forward.

(d) Established network of business relationships with third party contractors, consultants and other professionals

The Capital City Group's management team is actively involved in the introduction of its current projects, such as Project Capital City, to the property market via their established network of partners and suppliers, who are supportive of the projects due to the strong and extensive experience of the senior management team and the qualities of Project Capital City.

Further, the Capital City Group has a strong working relationship with its current third party contractors, consultants and other professionals allowing it to benefit from a higher level of commitment and a smoother property development process in terms of work planning, co-ordination and standard of workmanship for its current property development projects.

12.16 Staff and training

(a) Staff

The staff of the Capital City Group are largely based in Malaysia and the Capital City Group does not employ any part-time staff. A breakdown of the number of employees by business function as at 30 June 2014, 30 June 2015, 30 June 2016, 30 September 2016 and as at the Latest Practicable Date are as follows:

	As at 30 June 2014	As at 30 June 2015	As at 30 June 2016	As at 30 September 2016	As at the Latest Practicable Date
Segmented by function					
Management[1] and operations	5	8	10	7	13
Administrative[2]	8	17	14	13	8
Sales and marketing	–	4	4	4	1
Total	13	29	28	24	22

Notes:

(1) Management refers to the executive directors of the Capital City Group and employees holding the position of manager or higher, who have the power to influence decision-making.

(2) Administrative staff refers to employees who provide support to their respective heads of department, apart from sales and marketing staff, and includes employees who are in the finance, administration, human resources, and sales administration departments.

The decrease in the number of administrative staff from 17 as at 30 June 2015 to eight (8) as at the Latest Practicable Date was due to changes in the number of employees from the sales administration department, whose main function is to support the third-party marketing agents appointed in connection with Project Capital City to assist and handle queries from customers of the Capital City Group, typically at the initial stages of signing the sale and purchase agreements. The management of the Capital City Group is of the view that the current staff strength of the sales administration department is adequate to support the level of sales and marketing activities carried out by the Capital City Group.

Notwithstanding the aforementioned decrease in the number of administrative staff, as the Capital City Group expects the pace and scale of its business to grow in the near future, it is envisaged that the number of employees will increase in time to come.

The Capital City Group's employees are not unionised. The relationship and cooperation between the management and staff has always been good and is expected to continue in the future. There has not been any incidence of work stoppages or labour disputes which affected its operations.

(b) Training

To remain competitive and successful, the Capital City Group believes that its staff should constantly upgrade their skills in order to stay relevant in their respective areas of work. Moving forward, the Capital City Group proposes to engage external trainers to conduct training programmes and courses for its employees which are relevant to their work, such as employee motivation and engagement courses. During the Period Under Review, the Capital City Group did not incur any significant staff training and development expenditure.

12.17 Properties and fixed assets

As at the Latest Practicable Date, the Capital City Group leases the following properties:

Lessee	Lessor	Location	Term	Approximate gross area (sq m)	Use of property
CCP	Phoon Ching Fun	B-07-03, Block B, Pangsapuri Jentayu, Jalan Tampoi, Kawasan Perindustrian Tampoi, 81200 Johor Bahru, Malaysia	1 March 2016 to 28 December 2017	88	Residential[(1)] (currently vacant)
CCP	Chew Sai Wah	16-12, Block A, Pangsapuri Jentayu, Jalan Tampoi, Kawasan Perindustrian Tampoi, 81200 Johor Bahru, Malaysia	One (1) year commencing from 1 September 2016, with an option to extend such lease for a period of one (1) year	88	Residential[(1)] (currently vacant)
CCP	Pesatria Sdn. Bhd.	LG-02 and 01-02, Pangsapuri Jentayu, Jalan Tampoi, Kawasan Perindustrian Tampoi, 81200 Johor Bahru, Malaysia	One (1) year commencing from 1 August 2016, with an option to extend such lease for a period of one (1) year	471.48	Office and sales gallery

Lessee	Lessor	Location	Term	Approximate gross area (sq m)	Use of property
CCP	Globe Leigh Coatings (M) Sdn. Bhd.	LG-01 and 01-01, Pangsapuri Jentayu, Jalan Tampoi, Kawasan Perindustrian Tampoi, 81200 Johor Bahru, Malaysia	One (1) year commencing from 1 August 2016, with an option to extend such lease for a period of one (1) year	471.48	Office and sales gallery
CCP	Lee Ching Yee	Ground Floor, No. 15, Jalan Medan Aliff Harmoni 1/2, Taman Damansara Aliff, 81200 Johor Bahru, Malaysia	Two (2) years commencing from 1 January 2015, with an option to extend such lease for a period of one (1) year Renewed for a further one (1) year commencing from 1 January 2017 to 31 December 2017	71	Commercial

Note:

(1) Accommodation for staff of the Capital City Group.

As at the Latest Practicable Date, the Capital City Group does not own any properties. Please refer to Section 2.1 entitled "Sale and purchase agreements" of this Circular for details of the CCP Land Asset on which Project Capital City is located on, and the CCV Land Asset and the CCF Land Asset on which Project Austin and Project Sitiawan Wellness Hub will be located on respectively.

To the best of the knowledge of the Capital City Group Directors, there are no regulatory requirements or environmental issues that may materially affect the Capital City Group's utilisation of the above properties.

12.18 Corporate social responsibility

The Capital City Group believes that corporate social responsibility is an important aspect of the Capital City Group's operations, and is committed to developing talented interior designers and architects in Malaysia and abroad. "Design Capital 21" is a testament to the Capital City Group's efforts in grooming the next generation of interior designers and architects, providing a platform for them to showcase their talents.

Further, the Capital City Group intends to establish a corporate social responsibility program which includes reviewing and recommending policies in respect of corporate social responsibility issues to be undertaken by the Capital City Group, reviewing the Capital City Group's health, safety and environmental policies and standards in relation to its business operations, and reviewing the social impact of the Capital City Group's business practices in the communities it operates in.

13. RISK FACTORS

Shareholders should carefully evaluate the following risk factors and all other information contained in this Circular before deciding on how to vote on the resolutions in respect of the Proposed Transactions, particularly given that the core business of the Enlarged Group will include the Business upon Completion.

Some of the following considerations relate principally to the industry in which the Capital City Group operates and the Business of the Capital City Group in general.

Other considerations relate principally to general social, economic, political and regulatory conditions in Singapore and/or Malaysia, the securities market and ownership of the shares of the Company, including possible future dilution in the value of the shares of the Company.

Shareholders should also note that certain of the statements set forth below constitute "forward-looking statements" that involve risks and uncertainties. If any of the following risk factors and uncertainties develops into actual events, the Capital City Group and its business, financial condition, results of operations or cash flows may be adversely affected. In such circumstances, the trading price of the shares of the Company could decline and Shareholders may lose all or part of their investment.

The Capital City Group Directors have represented to the Board that, to the best of their belief and knowledge, all risk factors which are material to Shareholders in making an informed judgement on the Capital City Group have been set out below.

Save as disclosed below, to the best of the Board's knowledge and belief, all risk factors which are material to Shareholders in making an informed judgement on the Capital City Group, the Proposed Transactions and/or the Enlarged Group have been set out in this Circular. Following Completion, the risk factors in relation to the Capital City Group will also be relevant to the Enlarged Group. If any of the following considerations and uncertainties develops into actual events, the results of operations or the financial position of the Enlarged Group could be materially and adversely affected.

13.1 Risk factor relating to the integration of the Capital City Group and the Group

The Enlarged Group faces uncertainties associated with the merger and integration of the Existing Business and the Business

Upon Completion, the business of the Enlarged Group will comprise both the Existing Business and the Business. The CEO and key executive officers will primarily comprise key employees of the Capital City Group, including Mr. Siow and Mr. Tham, while Dr. Loh Chang Kaan, the Executive Director and CEO of the Company, will relinquish his current roles and resign from the boards and as the legal representative (where applicable) of the Company and its subsidiaries (namely, Terratech Resources Pte. Ltd., CEP Resources

Entity Sdn. Bhd., Qingdao Terratech Resources Co., Ltd. and Shaanxi Hengyu Architectural Interior Engineering Co., Ltd.) upon Completion. Nonetheless, Dr. Loh Chang Kaan will remain as a full-time employee of the Enlarged Group and will assist to oversee the Existing Business. He will continue to work with the existing personnel to manage all aspects of the operations in relation to the Existing Business.

The Enlarged Group may face difficulties integrating the Existing Business and the Business. While the Proposed Directors anticipate that there will be synergies between the Existing Business and the Business, and that the Enlarged Group will benefit from economies of scale to expand its operations, whether or not, and when, such synergies and economies of scale will materialise will depend on, amongst other factors, the ability of the management team of the Enlarged Group to coordinate and consolidate the operations of the Existing Business and the Business, including the integration of internal controls and other corporate and administrative functions. There is no assurance that such coordination or consolidation will be successful, or that the anticipated synergies and economies of scale will materialise.

Should the Enlarged Group fail to realise the expected synergies, economies of scale and growth from the integration of the Existing Business and the Business, its business operations, strategies and financial position could be materially and adversely affected.

13.2 Risk factors relating to the Capital City Group, its Business and industry

Risks associated with property development projects

There are many inherent risks associated with property development projects, including the Capital City Group's current projects, namely Project Capital City, Project Austin and Project Sitiawan Wellness Hub, many of which are outside the Capital City Group's control, including:

(i) changes in general, local and regional economic conditions;

(ii) changes in market conditions in the property development industry and the property market after commencement of the project;

(iii) adverse government regulations, including any delay or inability to obtain all necessary zoning, land use, building, development and other required governmental and regulatory approvals, licences, or permits;

(iv) changes in the relevant regulations and approvals required to be obtained;

(v) construction delays or cost overruns due to delayed regulatory approvals, adverse weather conditions, labour or material shortages and work stoppages;

(vi) construction risks attributable to third party contractors delaying the completion of projects or resulting in additional costs to the Capital City Group; and

(vii) inflation and changes in business conditions such as deterioration in prevailing market conditions, increase in labour and raw material costs, fluctuating demand and/or surge in supply of properties.

Further, the time taken to complete a property development project depends on various factors, such as the scale and complexity of the project, prevailing market conditions and availability of resources. There is no assurance that the current or future projects will be completed within the anticipated time frame or budget. There may be delays arising from, among others, adverse weather conditions, machinery and equipment breakdown, shortage of construction materials, shortage of labour, accidents, cessation of business of the third party contractors undertaking the project and disputes with such third party contractors. In such instances, the business operations, strategies and financial position of the Capital City Group would be adversely affected.

There is also a time gap, the length of which depends on its nature and complexity, between the commencement and completion of any property development project. During which, the prevailing political, economic or social conditions of the location or other conditions critical to the success of the property or project may change, such that the Capital City Group is unable to commence or continue developing the property or project and/or achieve its projected returns. In such an event, the Capital City Group's business operations, strategies and financial position could be materially and adversely affected.

As at the Latest Practicable Date, the Capital City Group has not encountered any significant changes, delays or cost overruns pursuant to the occurrence of the circumstances set out above which have resulted in a material adverse effect on the Capital City Group.

In addition, notwithstanding that the Capital City Group's current business model of working on a joint venture basis with landowners does not require it to acquire and maintain land banks, in the event that the Capital City Group does in the future decide to engage in the acquisition of suitable land site(s) for development, this may constitute a change in the risk profile of the Capital City Group. Should this materialise, the Company will, post-Completion and where required, seek the relevant approvals from the Shareholders and the SGX-ST at the appropriate juncture.

The Capital City Group relies on its third party contractors, consultants and other professionals

The Capital City Group engages third party contractors, consultants and other professionals to provide various services such as architectural design, structural and engineering work, interior design and sales and marketing. Whilst the Capital City Group adopts stringent procedures in the procurement of such services and has in place quality control measures to ensure that the quality of the workmanship, products and services of such third party contractors, consultants and other professionals meet its requirements, there is no assurance that the products and services rendered by these third party contractors, consultants and other professionals will be satisfactory to or match the standards expected by the Capital City Group and/or its end-purchasers.

There is the risk that the Capital City Group's third party contractors, consultants or other professionals may fail to complete their obligations in a timely matter, rectify any issues in an unsatisfactory manner or require additional capital in excess of the price originally tendered to complete a project and the Capital City Group may have to bear such additional amounts in order for the third party contractor to complete the project. There is also a further risk that the third party contractors engaged by the Capital City Group may experience financial or other difficulties, which may affect their ability to carry out construction works and delaying the completion of development projects. If any of such

events occur, the Capital City Group may not be able to complete its current or future projects within the budgeted cost and/or time schedule, and this may result in cost overruns and project delays. If the Capital City Group is unable to secure suitable alternative solutions in a timely manner, there may be a material adverse effect on the Capital City Group's business operations, strategies and financial position.

Further, the Capital City Group may be involved from time to time in disputes with the third party contractors, consultants and other professionals for various reasons. Such disputes might lead to termination of the Capital City Group's existing contracts with these working parties and/or legal and other proceedings. If the Capital City Group is unable to effectively manage such disputes, the Capital City Group's reputation and prospects may also be adversely affected.

The delay of completion of property development projects beyond the completion date stipulated in the relevant tender conditions may result in additional costs to and/or penalties payable by the Capital City Group. In the event that the Capital City Group is not able to successfully claim against these third party contractors, consultants or other professionals for any such delays, the Capital City Group may also be exposed to liquidated damages payable to purchasers of the affected properties and this may have a material adverse effect on its financial performance, reputation and prospects.

The Capital City Group may face intense competition in the property development industry in the future

Although the Capital City Group Directors believe that the business model of the Capital City Group is distinctive, the property development industry is rapidly evolving. Due to the relatively low barriers of entry of the Capital City Group's business model, new players in the market may also emerge. Large and established property developers may have more extensive and superior network to third party contractors, consultants or other professionals, while others may have a longer track record and reputation.

Competition among such players may result in, *inter alia*, reduced number of local landowners as potential joint venture partners, oversupply of properties in certain parts of Malaysia, a decrease in property prices, a slowdown in the rate at which new property developments will be approved and/or reviewed by the relevant government authorities, an increase in construction costs and difficulties in securing the services of high quality consultants, contractors and other professionals and qualified employees.

While the Capital City Group seeks to remain competitive in enhancing the value of the land asset of landowners and having an established network of business relationships with third party contractors, consultants and other professionals, there is no assurance that such measures can be effective in mitigating the potential adverse effects of competition on its business operations, strategies, financial performance and market position.

If the Capital City Group is unable to compete effectively, its business operations, strategies and financial position may be adversely affected.

The Capital City Group is dependent on its senior management personnel for its continued success

The Capital City Group's success depends largely on its ability to attract and retain key personnel. In particular, the success of the Capital City Group's business depends to a large extent on the personal reputation, business development capabilities, network and business relationships with members of the architectural and property industry, judgement and project execution skills of its executive director, Mr. Siow.

As the executive director of the Capital City Group, Mr. Siow is responsible for the overall strategy and direction of its business operations. Since the Capital City Group has a limited operating history as a property developer, Mr. Siow's track record, reputation and business development capabilities are critical elements in the Capital City Group's ability to obtain and maintain client engagement and raise capital. Accordingly, his retention is crucial to the Capital City Group's success, and the continued success of the Capital City Group in future will be in part dependent on its ability to retain his services and to ensure an effective succession takes place upon his departure or retirement.

The Capital City Group also anticipates that it will be necessary for it to employ additional key personnel as it pursues its growth strategy. While the Capital City Group strives to attract qualified and experienced employees, the Capital City Group may not succeed in recruiting such additional personnel or retaining current key personnel as the market for such personnel is extremely competitive.

Further, the Capital City Group's business relies on the expertise and client relationships of the members of its senior management. If the Capital City Group is unable to attract or retain senior management, or if any of its senior management is unable or unwilling to continue in his or her present position and the Capital City Group may not be able to fill such position readily or at all, its business may be adversely affected. Efforts to retain or attract key personnel may also result in significant additional expenses, which could adversely affect the Capital City Group's profitability.

The Capital City Group is subject to fluctuations in costs of development of its projects and demand for properties

The costs of development of the Capital City Group's projects may be affected by fluctuations in, *inter alia*, cost of construction materials, cost of construction equipment, labour costs, contractor fees and overheads. While the contractors and subcontractors that the Capital City Group works with will typically bear the risk of fluctuation in prices of construction materials, and the Capital City Group seeks to mitigate such risk by closely monitoring and managing the development costs, there is no assurance that any changes in development cost will not have any material impact on the Capital City Group's financial performance. In the event of any material increase in any of such costs, and if the Capital City Group is unable to secure alternative supplies at costs acceptable to the Capital City Group or pass on such additional costs to its customers in the form of higher selling prices, the business operations, strategies and financial performance of the Capital City Group may be materially and adversely affected.

The demand for the Capital City Group's projects is affected by, *inter alia*, the economic climate, conditions of the property market, buyers' perception and negative consumer sentiment and changes in market rental yields and interest rates, which the Capital City Group may not have any control over. The Capital City Group will continuously seek to

mitigate these risks by constantly reviewing its development and marketing strategies in response to the ever-changing market conditions and adopting different development concepts and techniques to meet the needs of its target markets.

As at the Latest Practicable Date, the Capital City Group has not experienced any significant fluctuations in the costs of development of, and demand for, its projects which have resulted in a material adverse effect on the Capital City Group.

The Capital City Group is subject to risks in relation to its pre-sold units

The Capital City Group conducts sales of the units of the projects that it develops prior to completion in line with industry practice. As at the Latest Practicable Date, sale and purchase agreements have been executed for approximately 63.3% of the retail Units in Capital 21 and approximately 28.6% of the Serviced Suites Units available for sale. In the event of a failure or delay in the delivery of such pre-sold units to purchasers, the Capital City Group may be liable for potential losses that such purchasers may suffer as a result. Failure to complete a property development project on time may be attributed to factors such those described in the risk factor entitled "Risks associated with property development projects". The Capital City Group may also be subject to default by end-purchasers of units in making progress payment for these units. In such an event, the Capital City Group's business operations, strategies and financial performance may be materially and adversely affected. As at the Latest Practicable Date, the Capital City Group has not encountered any failure or delay in the delivery of such pre-sold units to purchasers, or default by end-purchasers making progress payments for such units.

The Capital City Group is subject to risks in relation to its unsold units

In the event that the Capital City Group is unable to sell a significant proportion of the units of the projects that it develops, its financial performance will be materially and adversely affected. In addition, the unsold completed units that the Capital City Group continues to hold for sale are relatively illiquid, which will limit the Capital City Group's ability to realise cash from unsold units on short notice, and further limits the Capital City Group's ability to vary its portfolio of properties held for sale in response to changes in economic, political, social or regulatory conditions in a timely manner. In such an event, the Capital City Group's business operations, strategies and financial performance will be adversely affected. As at the Latest Practicable Date, there have been no occurrences of the circumstances stated above that have had a material adverse effect on the Capital City Group.

The Capital City Group has experienced, and may continue to experience, negative working capital

As at 30 June 2015, 30 June 2016 and 30 September 2016, the Capital City Group had negative working capital of RM57.3 million, RM77.8 million and RM109.3 million respectively. The negative working capital position was mainly due to a substantial portion of the Capital City Group's assets comprising investment property under construction, inventory properties and deferred expenditure relating to sales agent commission and legal costs for the sale of Project Capital City's Units being classified under non-current assets as a result of the Capital City Group's business and accounting policies.

Accordingly, the Capital City Group is subject to the risk that its current assets will be insufficient to meet its obligations under its current liabilities. In such event, additional capital, debt or other forms of financing may be required to fund the Capital City Group's working capital. If any of the aforesaid events occur and the Capital City Group is unable, for any reason, to raise additional capital, debt or other financing for its working capital requirements, its business operations, liquidity and financial performance will be adversely affected. Please refer to Section 18 entitled "Management's Discussion and Analysis of Results of Operations and Financial Position of the Capital City Group" and Section 20 entitled "Working Capital" of this Circular for further details on the working capital position of the Capital City Group.

The Capital City Group may be exposed to risk of loss and potential liabilities that may not be covered or adequately covered by insurance

The Capital City Group maintains insurance policies covering certain eventualities arising from business operations in line with general market practice and legal and contractual requirements. Such policies include fire insurance, all risks insurance and public liability insurance. The Capital City Group also requires that its contractors appointed for its property development projects to be covered by various contractor's insurance schemes. Please refer to Section 12.9 entitled "Insurance" of this Circular for further details on the Capital City Group's existing insurance coverage.

Certain liabilities and risks in respect of the business, operations and assets of the Capital City Group may not be covered or adequately covered by insurance for a variety of reasons. For example, certain types of losses, such as from wars or acts of God, are generally not insurable or not economically insurable. In the event that the Capital City Group is not insured or is inadequately insured against losses, damage or liabilities, the Capital City Group's business operations, strategies and financial performance will be adversely affected. As at the Latest Practicable Date, none of the circumstances as described above has occurred which has resulted in the Capital City Group not being insured or adequately insured against any losses, damage or liabilities.

The Capital City Group may be liable for the representations and conduct of its in-house and external sales and marketing agents

The Capital City Group currently markets its projects in Malaysia and in other countries such as Singapore as part of its business operations, relying on its in-house and external sales and marketing agents (the "**Marketing Agents**").

There is a risk that dissatisfied customers may lodge complaints or take legal action against the Capital City Group for certain representations or statements which the Capital City Group or the Marketing Agents may have made in the course of marketing and promoting projects. In the event that the Capital City Group is held liable for any damages for misrepresentation, its business operations, strategies and financial performance may be affected. Even if the Capital City Group is not held liable for such misrepresentation, the reputation of the Capital City Group may be adversely affected.

Further, the Marketing Agents are highly mobile and active in their course of marketing and promoting of projects, and as such it is not feasible to monitor each Marketing Agent's statements or conduct on a constant basis, particularly in respect of the external Marketing Agents.

In addition, there is a risk that ex-Marketing Agents may continue to pose as Marketing Agents. In the event that any person, whether in his/her present or past employment or appointment with the Capital City Group, commits fraud or misrepresentation or does any illegal act arising from his/her sales and marketing activities for and on behalf of the Capital City Group, such conduct may adversely affect the reputation and business operations of the Capital City Group.

The Capital City Group will have to renew, maintain and obtain governmental approvals, statutory and regulatory permits, licences and certificates as may be required for its projects and any failure or delay in obtaining or renewing the same may have an adverse impact on the business operations and financial performance of the Capital City Group

The Capital City Group will require certain governmental approvals, statutory and regulatory permits, licences and certificates for its projects. As at the Latest Practicable Date, the Capital City Group is also in the process of obtaining the approval from the relevant authorities in respect of its application for the planning permission for Project Austin. Please refer to Section 12.13 entitled "Permits, approvals, licences and government regulations" for further details.

In particular, pursuant to the joint venture agreements that the Capital City Group enters into with the landowner, such as the Achwell JVA, it is typically the case that the conditions precedent include the Capital City Group obtaining the development order from the relevant government authorities within a certain period of time from the date of the joint venture agreement. In the event that the conditions precedent to such joint venture agreements and the development order and/or building plans of the projects that the Capital City Group undertakes in the future are not obtained by the stipulated date, the Capital City Group will not be able to proceed with the implementation of its property development projects.

Further, such approvals, permits, licences and certificates (for example, CIDB I construction licences, housing development licences including developer's licences and advertising permits and business licences, if applicable) may be subject to periodic review and renewal by the relevant government authorities after expiry. The standards of compliance required may also from time to time be subject to changes. Any failure to obtain or renew such approvals, permits, licences or certificates or revocation of such approvals, permits, licences or certificates or changes imposed on the terms and conditions of licensing may cause disruption or delay to the project(s) undertaken by the Capital City Group and may have a consequential adverse effect on its business operations and financial performance.

Although the Capital City Group has not experienced any difficulty in obtaining and maintaining the requisite approvals, permits, licences and certificates in the past, and the Capital City Group does not foresee any potential issues arising from the renewal of its existing approvals, permits, licences and certificates, there is no assurance that existing approvals, permits, licences and certificates will be renewed, or renewed within the anticipated timeframe, or that any new licences required by the Capital City Group will be obtained or obtained in a timely manner or maintained without interruption after being obtained.

Failure of the Capital City Group to comply with the applicable laws and regulations and/or the conditions of the approvals, permits, licences and certificates required for its business operations, may subject the Capital City Group to penalties such as fines and/or suspensions, which may adversely affect its business operations, financial performance and reputation.

The Capital City Group may be exposed to risk of non-compliance with governmental, statutory and regulatory requirements as well as the terms of its joint venture agreements with landowners

There is no assurance that the Capital City Group will be able to meet all of the regulatory requirements and guidelines, or comply with all of the applicable laws and regulations at all times, or that it would not be subject to sanctions, fines or other penalties in the future as a result of such non-compliance.

Further, as described in the risk factor entitled "Joint venture agreements entered into between the Capital City Group and landowners may restrict the implementation of the Capital City Group's business strategies and operations", a breach of material obligations under the relevant joint venture agreement may constitute an event of default triggering the termination of such joint venture agreement. In the event that the Capital City Group is not compliant with any of the terms of its joint venture agreements, there is a risk that the landowner may elect to terminate such joint venture agreement, or claim against the Capital City Group for damages arising therefrom.

If any sanctions, fines or other penalties are imposed on the Capital City Group as a result of non-compliance with the applicable requirements, guidelines or regulations, or in the event that the landowner claims damages or elects to terminate the joint venture agreement due to the Capital City Group's breach of such joint venture agreement, the Capital City Group's business operations, financial performance and reputation may be adversely affected.

As at the Latest Practicable Date, save as described in Section 12.13 entitled "Permits, approvals, licences and government regulations – Disclosures" of this Circular, the Capital City Group has complied with all of the applicable laws and regulations at all times that are material to its business operations, and no sanctions, fines or other penalties have been imposed on the Capital City Group as a result of non-compliance. The Capital City Group has also not been liable for any breach of its material obligations under the relevant joint venture agreements that it has entered into.

The Capital City Group may not be successful in implementing its business expansion plans

As at the Latest Practicable Date, the Capital City Group has ongoing negotiations with potential partners to undertake additional integrated property development projects on a joint venture basis.

The successful implementation of the Capital City Group's business strategies and future plans will entail, *inter alia*, actively identifying and securing suitable local landowners as joint venture partners, establishing a cordial joint venture arrangement, ensuring sufficient working capital and retaining its key management, executive officers and employees.

Further, the Capital City Group's ability to expand into new markets beyond the state of Johor, Malaysia, is dependent on its ability to adapt its experience and expertise, and to evaluate and navigate such new environments. There is no assurance that the Capital City Group can successfully implement all or some of its business strategies and future plans, and its failure to do so may adversely affect its business operations, financial performance and reputation.

Joint venture agreements entered into between the Capital City Group and landowners may restrict the implementation of the Capital City Group's business strategies and operations

The Capital City Group's non-capital intensive business model is achieved through strategic joint venture collaborations with landowners which provide the land asset for, and on which the Capital City Group develops, each property development project. Such joint venture agreements typically contain restrictive covenants that may limit the flexibility of the Capital City Group in planning for, or reacting to, changes in its business or the industry in which it operates.

As an example of such restrictive covenants, the Achwell JVA states that certain matters may require the consent of the landowner, such as: (a) any change in the shareholders and/or shareholdings and/or directors of CCP; and (b) the launch of any of the components of Project Capital City. Please refer to Appendix G to this Circular for a summary of the terms of the joint venture agreements that the Capital City Group has entered into.

In the event that the landowner withholds its consent to any of the matters described above, or if there are differing interests or disputes between the Capital City Group and the landowner which may impact the decision making, management and obligations of parties under the relevant joint venture agreement, this may adversely affect the business operations, strategies and financial performance of the Capital City Group.

Further, should the landowner rescind from its contractual obligations under the joint venture agreement, the Capital City Group may face difficulty in demanding remedy of specific performance from the landowner. Such joint venture agreements typically also provide for termination in certain events of default, such as a breach of material obligations under the relevant joint venture agreement. In the event of a termination of the joint venture agreement, the Capital City Group may have to cease all work on the relevant project and hand over possession of the project and the project land to the landowner. As such, the business operations, strategies and financial performance of the Capital City Group could be materially and adversely affected.

The Capital City Group may be vulnerable to adverse conditions in the global financial markets and the general economic climate

The Capital City Group's business operations, strategies and financial performance may be adversely affected by conditions in the financial markets and the economy in Malaysia and beyond. In particular, adverse changes in the political and social conditions both regionally and worldwide, such as the results of the referendum held in June 2016 where the United Kingdom voted in favour of leaving the European Union, creates a ripple effect on the global economic and/or financial system, and may affect business and consumer sentiment and the market outlook. There may be increased concern over social, economic

and political issues such as heightened unemployment rates, inflation and the availability and cost of credit, which may contribute to diminished expectations for the global economy in the near term, and generally lead to a slowdown in the economy.

The Capital City Group may be involved in legal and other proceedings arising from its operations from time to time

The Capital City Group is not and has not engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated, which may have or have had a material effect on the Capital City Group's financial position or profitability.

In the course of its business, the Capital City Group may in the future be involved in disputes with various parties involved in the development and sale of its projects such as landowners, main contractors, subcontractors, suppliers, end purchasers, other partners and lenders, which may lead to legal or other proceedings. The Capital City Group may incur costs in the course of, and its time and management resources may be diverted away from its business operations and towards, defending such claims. There is no assurance that the Capital City Group will be able to successfully defend against any claims brought against it. In such an event, if the Capital City Group is unable to claim against its insurers and/or indemnifiers, its business operations, strategies and financial performance may be materially and adversely affected.

In addition, the Capital City Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable decrees. In such an event, the Capital City Group's business operations, strategies, financial performance, reputation and prospects may be materially and adversely affected.

The Capital City Group is exposed to risks in respect of outbreaks of infectious and/or communicable diseases

An outbreak of the influenza virus and its variants including influenza A (H1N1) and the avian influenza (H5N1), the Ebola virus, the middle east respiratory syndrome (MERS), the Zika virus or any other communicable diseases or the recurrence and spread of severe acute respiratory syndrome (SARS), may potentially affect the Capital City Group's business and/or the operations of the third party contractors, consultants and other professionals that the Capital City Group engages. In the event that an outbreak occurs at the Capital City Group's offices or on the work sites of the Capital City Group's property development projects, the Capital City Group may be required to temporarily request its service providers to suspend all or part of their operations or shut down the Capital City Group's offices or work sites and quarantine all affected employees and/or workers to prevent the spread of the diseases. If such an event were to occur, this would materially and adversely affect the Capital City Group's business operations, strategies and financial performance.

The Capital City Group may be affected by conflicts, terrorist attacks or acts of God beyond its control

Acts of God such as natural disasters are beyond the control of the Capital City Group and may materially and adversely affect the economy, infrastructure and livelihood of the local population in Malaysia and Singapore. Further, any occurrence of terrorist attacks,

conflicts, riots, demonstrations, social unrests or international sanctions, potential, threatened or otherwise, may, directly or indirectly, have a material and adverse effect on the Capital City Group's business operations, strategies and financial performance.

13.3 General risk factors relating to operations in Malaysia

The Capital City Group's assets and operations are predominantly located and conducted in Malaysia. Accordingly, the Capital City Group's business is significantly influenced by the economic, political, and social developments in Malaysia, as well as certain actions and policies which the Malaysian government may, or may not, take or adopt. Certain factors affecting Malaysia and which could adversely affect the Capital City Group's business are set out below.

The Capital City Group may be affected by changes in government regulations and policies regulating the property markets in Malaysia and compliance with current or future requirements may limit its growth or adversely affect its future business

The Capital City Group is subject to regulatory oversight in Malaysia. Such regulations include those affecting land and title acquisition, development planning, design and construction as well as mortgage financing and refinancing.

Changes in the relevant laws and regulations may lead to an increase in the Capital City Group's cost of operations or result in unforeseen capital expenditure in order to ensure the Capital City Group's compliance with such changes. Any such changes in such regulations or policies imposed by the Malaysian government from time to time may have an adverse effect on the business, financial performance, future growth and prospects of the Capital City Group.

In particular, the following changes/proposed changes in the regulations, policies, concessions and treatment in the property development industry in Malaysia by the authorities may materially and adversely affect the financial condition and the results of the operations of the Capital City Group:

(a) Real Property Gains Tax

In efforts to promote a more stable and sustainable property markets, local authorities in Malaysia have introduced certain regulatory restrictions and schemes. RPGT was reinstated by the Malaysian government in 2010 and the RPGT rates were revised upwards thereafter in order to deter speculative activities in the secondary property market. Please refer to Section 29.4(c) entitled "Gains on disposal of shares in a Malaysian company" of this Circular for further details on the current rates of RPGT.

(b) Minimum purchase price

The Malaysian federal government had earlier imposed a minimum purchase price of RM500,000 on properties purchasable by foreigners. Such minimum price was revised from RM500,000 to RM1,000,000 in the 2014 Budget as part of the Malaysian government's plans to restrict speculative activities in the property market. However, as land is a state matter, each state is entitled to impose a different minimum purchase price in accordance with its own foreign ownership policies, which effectively overrule the Malaysian federal government policies.

CCP had sold four (4) Serviced Suites Units to foreign purchasers at a purchase price of less than RM1,000,000. The Legal Adviser to the Company as to Malaysia Law has advised the Company that as each foreign purchaser is required to obtain approval from the relevant authority for the purchase of property in Malaysia, in the event that the purchaser is not be able to obtain approval for the purchase of the Unit, the sale and purchase agreement with such purchaser will be frustrated pursuant to the terms of such sale and purchase agreement.

Please refer to Section 12.13 entitled "Permits, approvals, licences and government regulations – Disclosures" for further details.

(c) Maximum loan-to-value ratio

In 2010, BNM had also introduced a maximum loan-to-value ("**LTV**") ratio of 70% with regards to third home purchases. Under the ruling, potential third home purchasers are only able to obtain loan-financing facility of up to 70% of the value of their proposed third home purchases. This ruling was introduced by BNM with the aim of discouraging speculation in the property market. In November 2013, BNM issued a ruling that the banks are required to give out property loans based on net selling price of the properties, which excludes rebates and discounts as opposed to the gross selling price of the subject properties.

Environmental, health and safety laws could impose material liabilities on the Capital City Group and could require them to incur material capital and operational costs

The Capital City Group is subject to environmental, health and safety laws and regulations in Malaysia. In general, the Environmental Quality Act 1974 ("**EQA**") and various subsidiary regulations contain provisions restricting the emission of environmentally hazardous substances including the emission of noise into the environment. The EQA further provides for regulations to specify what are acceptable conditions for such emissions into the environment and may set aside any area where such emissions are restricted. A licence may be required under the EQA in certain situations if emissions are not within acceptable conditions.

Failure to comply with any of these laws or regulations could cause the Capital City Group to incur material liabilities and costs and be exposed to fines, penalties or other sanctions. In addition, such non-compliance may concurrently lead to civil claims by any persons who suffer from any damage arising therefrom. These may also have the effect of delaying the timely progress of the construction of the relevant project that the Capital City Group undertakes. Investigations by the relevant authorities and the issuance of a stop-work order may also cause delay in the completion of the Capital City Group's property development projects. In March 2016, a visiting construction worker, who was not employed by any of the Capital City Group, its main contractor or its subcontractors, sustained fatal injuries at the development site of Project Capital City. A police report was lodged on the day of the accident and while the Capital City Group has not been requested by the police to assist in any investigations as at the Latest Practicable Date, the Capital City Group may be found liable, or jointly liable with any of the main contractor or subcontractors, in the event that it is found negligent or non-compliant.

In addition, the adoption of new laws and regulations or any modification to the existing laws and regulations may result in the Capital City Group having to incur additional compliance costs and expenses, which in turn may result in the curtailment of its operations and the restriction in its ability to expand its business. Accordingly, the Capital City Group's business, financial position, future growth and prospects may in turn be adversely and materially affected.

There may be a general lack of updated information on property market conditions in Malaysia

The Capital City Group is subject to property market conditions in Malaysia. Currently, up-to-date information may not generally be available in Malaysia on the scale and nature of property development and investment activities, the demand and absorption rates for such developments, the supply of new properties being developed or the availability of land and buildings suitable for development and investment. Consequently, the business decisions of the Capital City Group may not always have been, and may not be in the future, based on accurate, complete and timely information. Inaccurate or incomplete information may adversely affect its business decisions, which could materially and adversely affect the results of operations and financial condition as well as the future growth and prospects of the Capital City Group.

The Capital City Group is subject to the political and economic conditions in Malaysia

Adverse developments in the political and economic conditions in Malaysia may materially and adversely affect the Capital City Group's business and prospects. Such political and economic uncertainties include, but are not limited to, changes in political leadership, monetary and fiscal policies, taxation laws, currency exchange controls and nationalisation. Such unforeseen changes may bring about political upheavals, civil commotions, epidemics, financially prohibitive importation and other taxes and prohibitive policies.

In particular, there is generally weak consumer sentiment in the property market due to, among others, the soft Malaysian economy, devalued ringgit, and increased consumption tax. On the other hand, the depreciation of the ringgit has allowed non-Malaysian residents to find it cheaper to purchase or lease properties in Malaysia.

While the Capital City Group adopts prudent financial management and operating procedures, there can be no assurance that such adverse political and economic developments which are beyond the Capital City Group's control, will not materially and adversely affect the Capital City Group's business operations and financial performance.

13.4 Risk factors relating to ownership of the shares of the Company following Completion

The Company will be controlled by the AVL Shareholders and ability of the other Shareholders to influence matters requiring Shareholders' approval will be extremely limited

Upon the allotment and issuance of the Consideration Shares and completion of the Proposed Compliance Placement, it is expected that the AVL Shareholders and/or their Nominees will hold approximately 79.12% of the Enlarged Share Capital. Please refer to

Section 15.2 entitled "Changes in shareholding structure of the Company" of this Circular for more information on the Controlling Shareholders of the Company and their respective interests in the shares of the Company.

As a result, the AVL Shareholders will be able to exercise significant influence over the outcome of matters submitted to Shareholders for approval, including, *inter alia*, election of the directors of the Company, the approval of significant corporate transactions and the affairs and policies of the Company. They will also have veto power in relation to any shareholder action or approval requiring a special resolution except in situations where they are required by the Catalist Rules and/or the SGX-ST to abstain from voting. Such concentration of ownership by the AVL Shareholders could delay, defer, deter or prevent future transactions including a take-over or a change in control of the Company, and could make some transactions more difficult or impossible to complete without the support of the AVL Shareholders, which may otherwise have benefitted the Shareholders.

Pursuant to the Tan Shareholders' Deed, Mr. Colin Tan and Mr. Edwin Tan have undertaken, *inter alia*, that they shall, and shall procure that their associates shall, abstain from exercising all voting rights attached to the shares of the Company held by them and/or their associates on resolutions of the Company in general meeting in respect of matters relating to acquisitions and realisation of certain assets, certain interested person transactions, appointments (including re-appointments) or removals of directors, and any matters concerning the management of any Enlarged Group Company. Please refer to Section 24.5(A) entitled "Interests of the Proposed Directors, Controlling Shareholders of the Company or their respective associates" of this Circular for further details on the undertakings provided by Mr. Colin Tan and Mr. Edwin Tan.

Protection afforded to the Shareholders under Singapore laws is limited as substantially all of the Capital City Group's assets and operations are located in Malaysia

Upon Completion, the bulk of the Enlarged Group's operations and significant assets will be located in Malaysia and are therefore subject to the relevant laws of Malaysia. Mr. Siow, the executive director of the Capital City Group, is not a resident in Singapore and his assets are located outside of Singapore. As a result, it may be difficult for investors to effect service of process in Singapore, or to enforce a judgement obtained in Singapore against the Capital City Group or any such persons. In particular, judgements of a Singapore court may not be enforceable in the relevant foreign jurisdiction. It may also be difficult for investors to take legal action against the Capital City Group or Mr. Siow in a foreign jurisdiction and the costs of bringing such an action may be prohibitive.

The Share price may be volatile, which could result in substantial losses for investors in the shares of the Company after Completion

The market price of the shares of the Company may fluctuate significantly and rapidly as a result of, *inter alia*, the following factors, some of which are beyond the control of the Company and the Enlarged Group:

(i) the success or failure of the Enlarged Group's management team in implementing business and growth strategies;

(ii) gain or loss of important or significant business or other relationships;

(iii) the addition or departure of key personnel;

(iv) announcements by the Company or its competitors of significant contracts, acquisitions, strategic alliances, partnerships, joint ventures, capital commitments or new products and/or services which may be offered by the Enlarged Group or its competitors;

(v) changes in the Enlarged Group's operating results;

(vi) fluctuations in general stock market conditions including stock prices and volume;

(vii) any negative publicity on the Enlarged Group;

(viii) involvement in litigation or other legal proceedings or processes;

(ix) differences between the actual financial operating results of the Enlarged Group and those expected by investors;

(x) changes in investor sentiment towards particular market sectors;

(xi) changes in securities analysts' estimates of the Enlarged Group's financial performance;

(xii) foreign exchange fluctuations and translations; and

(xiii) changes or uncertainty in the general economic, political and regulatory environment in the markets in which the Enlarged Group operates.

In recent years, the stock markets including the SGX-ST have experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies. Those changes may occur without regard to the operating performance of these companies. The price of the shares of the Company may therefore fluctuate based upon factors that have little or nothing to do with the Company, and these fluctuations may materially affect the price of its shares of the Company.

Existing Shareholders will face immediate and substantial shareholding dilution following Completion

Upon allotment and issuance of the Consideration Shares and completion of the Proposed Compliance Placement, the existing Shareholders will, on a collective basis, own approximately 10.80% of the Enlarged Share Capital of the Company, and the shareholdings of the AVL Shareholders and the Nominees will be approximately 79.12%. Accordingly, the existing Shareholders will face an immediate and substantial dilution to their shareholdings.

The Proposed Compliance Placement may not be successfully carried out

It is proposed that the Company undertakes the Proposed Compliance Placement in order for the Company to comply with the Minimum Public Float and maintain its listing status.

It is envisaged that the trading of the shares of the Company will be suspended from the date of Completion and such suspension will continue during the period allowed for the Proposed Compliance Placement until such time as the Minimum Public Float is met. There is no assurance that the Proposed Compliance Placement will be successfully carried out. The successful completion of the Proposed Compliance Placement to meet the Minimum Public Float will depend on, *inter alia*, prevailing market conditions, the pricing of the Placement Shares, and investors' interest in the diversification of the Company to include the Business. If the Proposed Compliance Placement is not or is unable to be carried out so as to meet the applicable Minimum Public Float, trading of the shares of the Company may continue to be suspended and the SGX-ST may require the shares of the Company to be de-listed.

The Company may not be able to pay dividends in future

The Company's ability to declare dividends to Shareholders will depend on its future financial performance and distributable reserves, which, in turn, depends on the Company successfully implementing its plans and strategies and capital requirements as well as financial, competitive, regulatory, technical and other factors, general economic conditions, order books and other factors specific to its industry and business, many of which are beyond the Company's control. As such, there is no assurance that the Company will be able to pay dividends to its Shareholders after the Completion. In the event that any company in the Enlarged Group enters into any loan agreements in the future, covenants therein may also limit when and how much dividends the Company can declare and pay.

Negative publicity involving any of the Proposed Directors, Proposed Executive Officers, Controlling Shareholders or Substantial Shareholders of the Company

Any negative publicity or announcement relating to any of the Proposed Directors, Proposed Executive Officers, Controlling Shareholders or Substantial Shareholders of the Company following the Completion may adversely affect the market perception of the Enlarged Group or performance of the share price of the Company, whether or not it is justifiable.

14. GROUP STRUCTURE

14.1 Group structure of the Capital City Group

Restructuring Exercise

The Capital City Group was formed pursuant to Restructuring Exercise which involved the following:

(a) the incorporation of AVL, REGL and FSVL for the purposes of the Restructuring Exercise;

(b) the acquisition by AVL of the entire issued and paid-up share capital of CCP;

(c) the acquisition by REGL of the entire issued and paid-up share capital of CCV; and

(d) the acquisition by FSVL of the entire issued and paid-up share capital of CCF,

and pursuant to which, upon completion of the proposed acquisitions described in paragraphs (b), (c) and (d) above, AVL, REGL and FSVL would become the holding companies of CCP, CCV and CCF respectively.

On 6 January 2017, the shareholders of CCP entered into a sale and purchase agreement with AVL pursuant to which AVL would acquire the entire issued and paid-up share capital of CCP for an aggregate consideration of US$96, to be satisfied by the allotment and issuance of AVL Shares to the shareholders of CCP, namely Mr. Siow, Mr. Colin Tan and Mr. Edwin Tan, in proportion to their shareholdings in CCP as set out below:

Name of the shareholders of CCP	Number of new AVL Shares to be allotted and issued	Relative proportion (%)
Mr. Siow	48	50.0
Mr. Colin Tan	24	25.0
Mr. Edwin Tan	24	25.0

On 6 January 2017, the shareholders of CCV entered into a sale and purchase agreement with REGL pursuant to which REGL would acquire the entire issued and paid-up share capital of CCV for an aggregate consideration of US$100, to be satisfied by the allotment and issuance of REGL Shares to the shareholders of CCV, namely Mr. Siow and Mr. Tham, in proportion to their shareholdings in CCV as set out below:

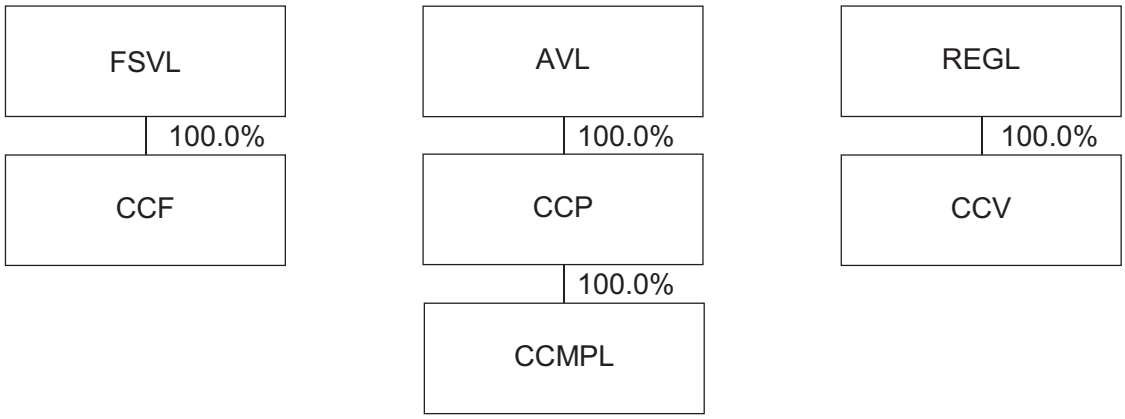
Name of the shareholders of CCV	Number of new REGL Shares to be allotted and issued	Relative proportion (%)
Mr. Siow	99	99.0
Mr. Tham	1	1.0

On 6 January 2017, the shareholders of CCF entered into a sale and purchase agreement with FSVL pursuant to which FSVL would acquire the entire issued and paid-up share capital of CCF for an aggregate consideration of US$100, to be satisfied by the allotment and issuance of FSVL Shares to the shareholders of CCF, namely Mr. Siow and Mr. Tham, in proportion to their shareholdings in CCF as set out below:

Names of the shareholders of CCF	Number of new FSVL Shares to be allotted and issued	Relative proportion (%)
Mr. Siow	99	99.0
Mr. Tham	1	1.0

Completion of the acquisitions of the entire issued and paid-up share capitals of each of CCP, CCV and CCF by AVL, REGL and FSVL respectively are conditional upon the condition(s) precedent in the respective sale and purchase agreements being fulfilled or such other date as may be agreed by the relevant parties to such sale and purchase agreement, provided always that such date shall be no later than five (5) Business Days before the AVL Completion Date, the REGL Completion Date or the FSVL Completion Date, as the case may be.

Upon completion of the Restructuring Exercise, the group structure of the Capital City Group will be as follows:



Details of the Capital City Group Companies are as follows:

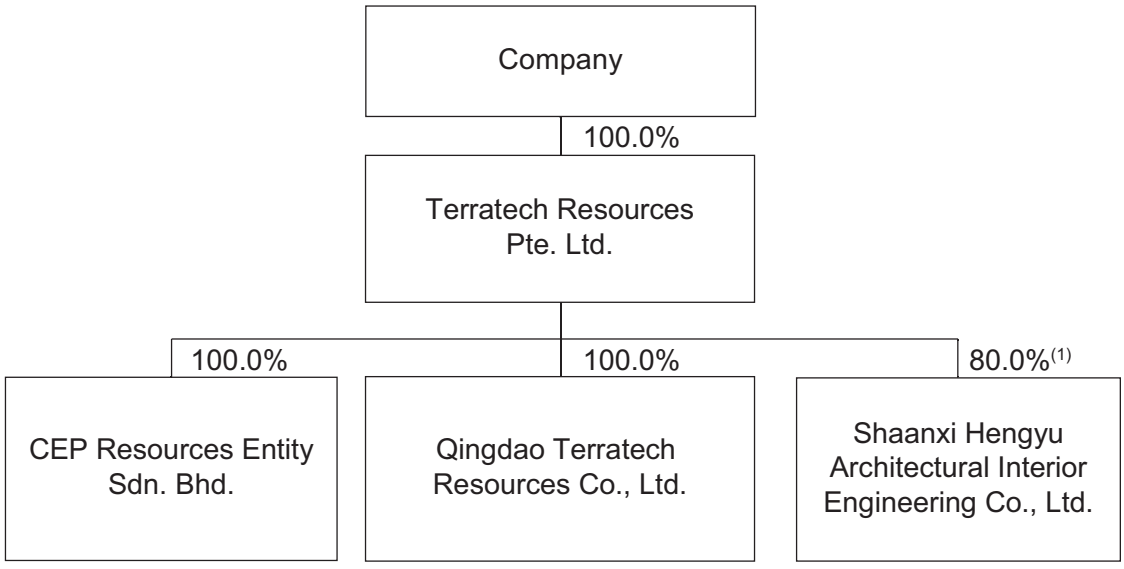
Name	Date and place of incorporation	Principal activities	Issued and paid-up share capital	Equity interest held by the Capital City Group
AVL	23 November 2016 (BVI)	Investment holding	US$4.00	–
REGL	9 September 2016 (BVI)	Investment holding	US$100	–
FSVL	8 December 2016 (BVI)	Investment holding	US$100	–
CCP	14 June 2013 (Malaysia)	Property development	RM5,000,000	100.0% held by AVL upon completion of Restructuring Exercise
CCV	27 September 2016 (Malaysia)	Property development	RM100	100.0% held by REGL upon completion of Restructuring Exercise
CCF	2 December 2016 (Malaysia)	Property development	RM100	100.0% held by FSVL upon completion of Restructuring Exercise

Name	Date and place of incorporation	Principal activities	Issued and paid-up share capital	Equity interest held by the Capital City Group
CCMPL	30 August 2016 (Singapore)	Business and management consultancy services	S$1.00	100.0% held by CCP

Save as disclosed above, there is no other subsidiary, subsidiary entity, associated company and associated entity, being a subsidiary, a subsidiary entity, an associated company or an associated entity, as the case may be, the absolute amount of the net assets, net liabilities, or profit or loss before tax of which accounts for 10.0% or more of the net assets, net liabilities, or profit or loss before tax respectively, of the Capital City Group during the Period Under Review.

14.2 Group structure of the Group and Enlarged Group respectively before and after Completion

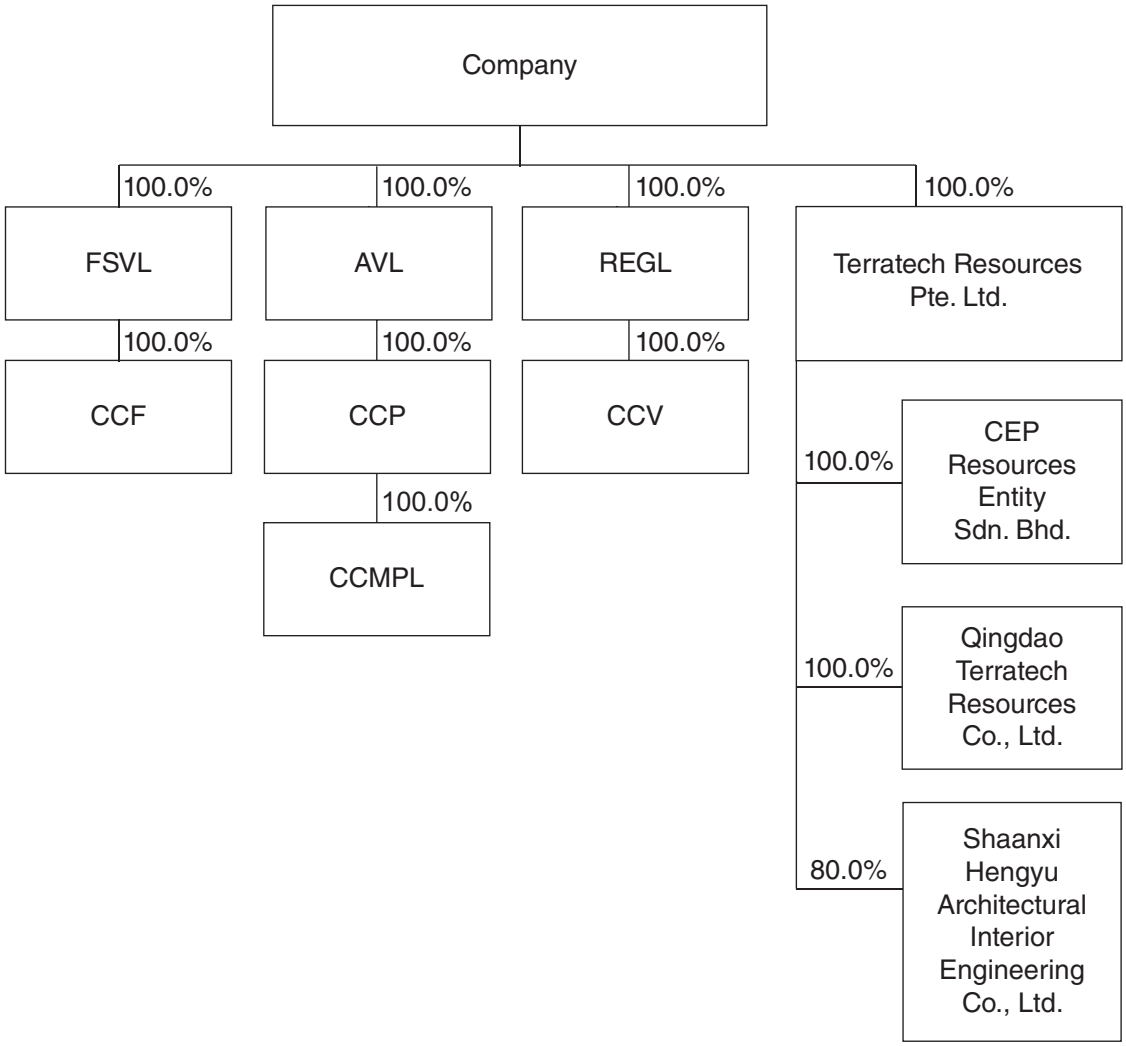
Immediately prior to the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, the group structure of the Group is as follows:



Note:

(1) The other 20.0% in Shaanxi Hengyu Architectural Interior Engineering Co., Ltd. is held by Yao Wu Li (姚伍利) (12.0%) and Ju Peng (鞠鹏) (8.0%).

Pursuant to the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, AVL, REGL and FSVL will become wholly-owned subsidiaries of the Company. The group structure of the Enlarged Group upon Completion will be as follows:



Save as disclosed in this Circular, none of the Proposed Directors and as far as the Proposed Directors are aware, none of the Substantial Shareholders of the Company upon Completion has any interest, whether direct or indirect, in the Enlarged Group.

None of the above subsidiaries of the Enlarged Group are listed on any stock exchange.

15. SHAREHOLDING STRUCTURE

15.1 Shareholding structure of the Capital City Group

AVL

As at the Latest Practicable Date, AVL is authorised to issue 50,000 AVL Shares with a par value of US$1.00 each, and has issued four (4) AVL Shares with a par value of US$1.00 each. All of the issued AVL Shares are fully paid-up.

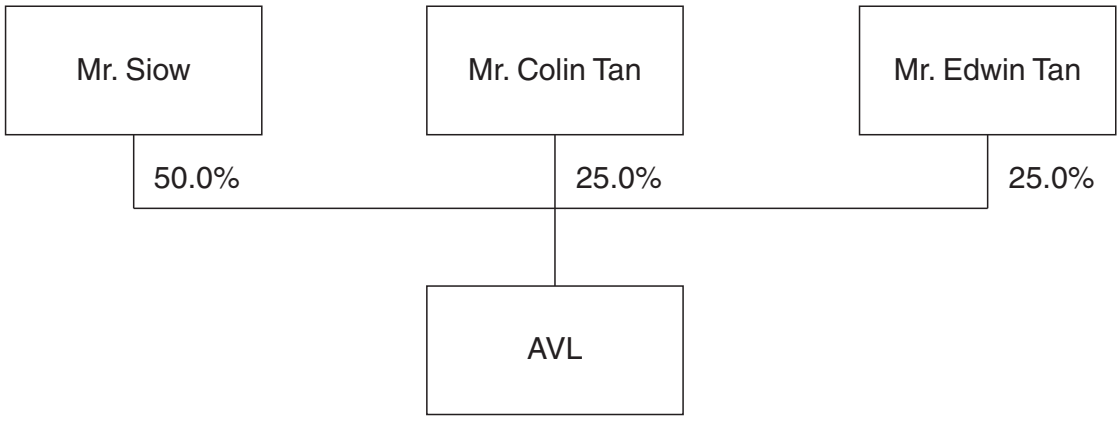
As at the Latest Practicable Date:

(a) AVL is authorised to issue shares of a single class;

(b) none of the AVL Shares are held by or on behalf of AVL, its subsidiaries and/or associated companies; and

(c) save for the allotment and issuance of the AVL Shares to the shareholders of CCP pursuant to the Restructuring Exercise, there has been no undertaking to increase the number of issued shares of AVL.

The shareholding structure of AVL is as follows:



As at the Latest Practicable Date, the proportion of the AVL Shareholders' shareholding interests in AVL is as follows:

	Number of AVL Shares held		Relative proportion (%)	
Names of AVL Shareholder(1)	**Direct interest**	**Deemed interest**	**Direct interest**	**Deemed interest**
Mr. Siow	2	–	50.0	–
Mr. Colin Tan	1	–	25.0	–
Mr. Edwin Tan	1	–	25.0	–

Note:

(1) Mr. Siow, Mr. Colin Tan and Mr. Edwin Tan are also the directors of AVL.

REGL

As at the Latest Practicable Date, REGL is authorised to issue 50,000 REGL Shares with a par value of US$1.00 each, and has issued 100 REGL Shares with a par value of US$1.00 each. All of the issued REGL Shares are fully paid-up.

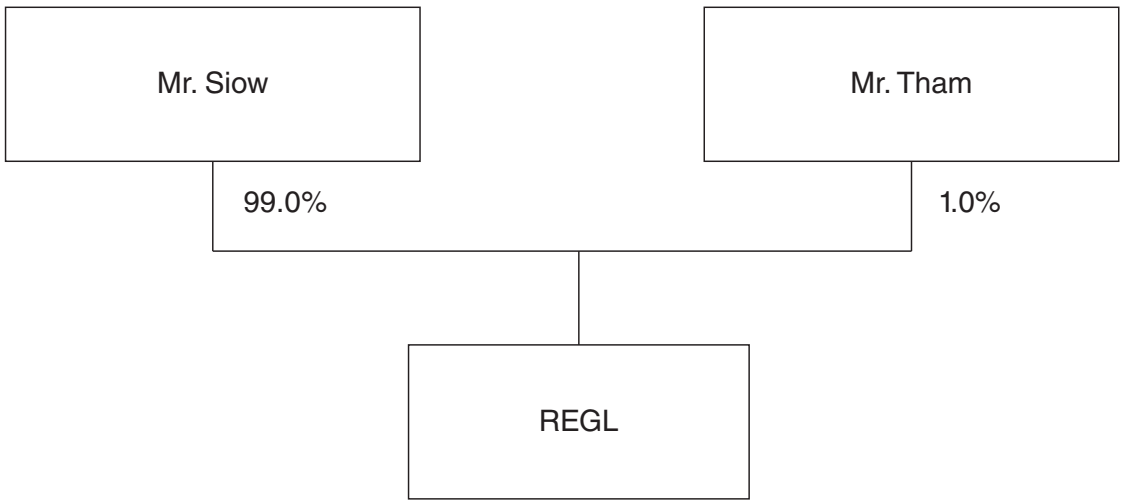
As at the Latest Practicable Date:

(a) REGL is authorised to issue shares of a single class;

(b) none of the REGL Shares are held by or on behalf of REGL, its subsidiaries and/or associated companies; and

(c) save for the allotment and issuance of the REGL Shares to the shareholders of CCV pursuant to the Restructuring Exercise, there has been no undertaking to increase the number of issued shares of REGL.

The shareholding structure of REGL is as follows:



As at the Latest Practicable Date, the proportion of the REGL Shareholders' shareholding interests in REGL is as follows:

Names of REGL Shareholder[1]	Number of REGL Shares held		Relative proportion (%)	
	Direct interest	Deemed interest	Direct interest	Deemed interest
Mr. Siow	99	–	99.0	–
Mr. Tham	1	–	1.0	–

Note:

(1) Mr. Siow and Mr. Tham are also the directors of REGL.

FSVL

As at the Latest Practicable Date, FSVL is authorised to issue 50,000 FSVL Shares with a par value of US$1.00 each, and has issued 100 FSVL Shares with a par value of US$1.00 each. All of the issued FSVL Shares are fully paid-up.

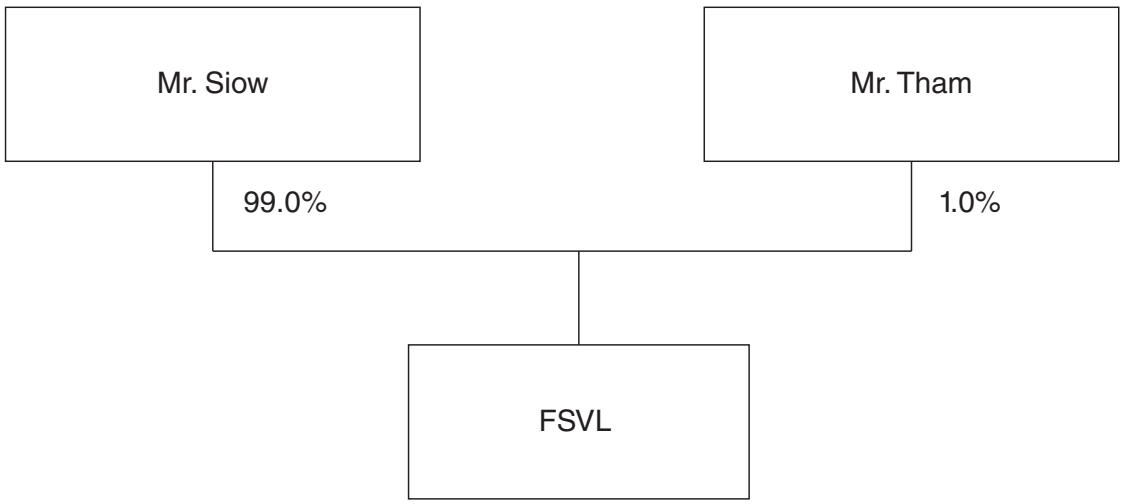
As at the Latest Practicable Date:

(a) FSVL is authorised to issue shares of a single class;

(b) none of the FSVL Shares are held by or on behalf of FSVL, its subsidiaries and/or associated companies; and

(c) save for the allotment and issuance of the FSVL Shares to the shareholders of CCF pursuant to the Restructuring Exercise, there has been no undertaking to increase the number of issued shares of FSVL.

The shareholding structure of FSVL is as follows:



As at the Latest Practicable Date, the proportion of the FSVL Shareholders' shareholding interests in FSVL is as follows:

	Number of FSVL Shares held		Relative proportion (%)	
Names of FSVL Shareholder[1]	**Direct interest**	**Deemed interest**	**Direct interest**	**Deemed interest**
Mr. Siow	99	–	99.0	–
Mr. Tham	1	–	1.0	–

Note:

(1) Mr. Siow and Mr. Tham are also the directors of FSVL.

Save as disclosed below, there were no changes in the issued and paid-up share capital of the Capital City Group within the three (3) years preceding the Latest Practicable Date.

Date of issue/change	Number of shares issued	Consideration	Purpose of issue/change	Approximate resultant issued share capital (or total number of issued shares, as the case may be)
AVL				
15 December 2016	Four (4)[(1)]	US$4.00 satisfied in cash	First subscription	Four (4) AVL Shares with a par value of US$1.00 each
CCP				
22 January 2015	899,996[(2)]	RM899,996 satisfied in cash	Working capital	RM5,000,000
REGL				
19 December 2016	100[(3)]	US$100 satisfied in cash	First subscription	100 REGL Shares with a par value of US$1.00 each
CCV				
27 September 2016	100[(4)]	RM100 satisfied in cash	First subscription	RM100
FSVL				
19 December 2016	100[(5)]	US$100 satisfied in cash	First subscription	100 FSVL Shares with a par value of US$1.00 each
CCF				
2 December 2016	100[(6)]	RM100 satisfied in cash	First subscription	RM100

Notes:

(1) On 15 December 2016, Mr. Siow, Mr. Colin Tan and Mr. Edwin Tan were allotted and issued two (2) AVL Shares, one (1) AVL Share and one (1) AVL Share respectively.

(2) On 22 January 2015, Mr. Siow, Mr. Colin Tan and Mr. Edwin Tan were allotted and issued 449,998 CCP Shares, 224,999 CCP Shares and 224,999 CCP Shares respectively.

(3) On 19 December 2016, Mr. Siow and Mr. Tham were allotted and issued 99 REGL Shares and one (1) REGL Share respectively.

(4) On 27 September 2016, Mr. Siow and Mr. Lu Kah Heng were allotted and issued 51 CCV Shares and 49 CCV Shares respectively.

(5) On 19 December 2016, Mr. Siow and Mr. Tham were allotted and issued 99 FSVL Shares and one (1) FSVL Share respectively.

(6) On 2 December 2016, Mr. Siow and Mr. Tham were allotted and issued 99 CCF Shares and one (1) CCF Share respectively.

There has not been any public take-over offer, by a third party in respect of any of the shares of any Capital City Group Company or by any Capital City Group Company in respect of the shares of another corporation or the units of a business trust, which has occurred between the beginning of the most recent completed financial year and the Latest Practicable Date.

Save as disclosed in this Section 15.1 entitled "Shareholding structure of the Capital City Group – AVL", to the extent known to the AVL Shareholders, AVL is not directly or indirectly owned or controlled, whether severally or jointly, by any person or government as at the Latest Practicable Date.

Save as disclosed in this Section 15.1 entitled "Shareholding structure of the Capital City Group – REGL", to the extent known to the REGL Shareholders, REGL is not directly or indirectly owned or controlled, whether severally or jointly, by any person or government as at the Latest Practicable Date.

Save as disclosed in this Section 15.1 entitled "Shareholding structure of the Capital City Group – FSVL", to the extent known to the FSVL Shareholders, FSVL is not directly or indirectly owned or controlled, whether severally or jointly, by any person or government as at the Latest Practicable Date.

Save as disclosed in the Circular in relation to the Proposed AVL Acquisition, as at the Latest Practicable Date, the AVL Shareholders are not aware of any arrangement, the operation of which may, at a subsequent date, result in a change in control of AVL.

Save as disclosed in the Circular in relation to the Proposed REGL Acquisition, as at the Latest Practicable Date, the REGL Shareholders are not aware of any arrangement, the operation of which may, at a subsequent date, result in a change in control of REGL.

Save as disclosed in the Circular in relation to the Proposed FSVL Acquisition, as at the Latest Practicable Date, the FSVL Shareholders are not aware of any arrangement, the operation of which may, at a subsequent date, result in a change in control of FSVL.

Save as disclosed in the Circular in relation to the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the acquisitions by AVL, REGL and FSVL of CCP, CCV and CCF respectively, as at the Latest Practicable Date, no person has, or has the right to be given, an option to subscribe for or purchase any AVL Share, REGL Share or FSVL Share or other securities in AVL, REGL or FSVL or their respective subsidiaries.

As at the Latest Practicable Date, there is no arrangement which involves the employees of the Capital City Group in the capital of AVL, REGL or FSVL, including any arrangement that involves the issue or grant of options or AVL Shares, REGL Shares or FSVL Shares or any other securities in AVL, REGL or FSVL.

15.2 Changes in shareholding structure of the Company

Pursuant to the Proposed Share Consolidation and the Proposed AVL Acquisition, the Company will be issuing 1,071,428,569 Consideration Shares to the AVL Shareholders and/or the Nominees and ACIL. For the purposes of, *inter alia*, meeting the Minimum Public Float after the Proposed Share Consolidation and after the allotment and issuance of the Consideration Shares, the Company proposes to undertake the Proposed Compliance Placement which will comprise a placement of the Placement Shares. The issued share capital of the Company after the Proposed Compliance Placement will be S$50,732,562.80, comprising 1,268,314,070 Consolidated Shares of a nominal or par value of S$0.04 each and the public Shareholders' shareholding in the Company would be approximately 15.81%.

As at the Latest Practicable Date, there are 683,542,003 issued and fully paid-up Shares in the capital of the Company and there is only one (1) class of shares in the capital of the Company. The rights and privileges attaching to the Shares are stated in the Articles of Association.

It is envisaged that upon Completion and completion of the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation and the Proposed Compliance Placement, the shareholding structure of the Company will be as follows:

	Before the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement				After the Proposed Increase in Authorised Share Capital and the Proposed Share Consolidation but before the Proposed AVL Acquisition the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement				After the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition but before the Proposed Compliance Placement				After the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%
Existing Directors																
Dr. Wang Xiaoning	471,768	0.07	–	–	117,942	0.07	–	–	117,942	0.01	–	–	117,942	0.01	–	–
Dr. Loh Chang Kaan	161,749	0.02	–	–	40,437	0.02	–	–	40,437	N.M.[1]	–	–	40,437	N.M.[1]	–	–
Mr. Aw Eng Hai	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Tay Yew Khem	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Proposed New Directors																
Mr. Siow	–	–	–	–	–	–	–	–	501,785,713	40.39	–	–	501,785,713	39.56	–	–
Mr. Tham	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Aw Eng Hai	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Dominic Tan	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Victor Lye	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Controlling Shareholders																
Tritech	386,948,000	56.61	–	–	96,737,000	56.61	–	–	96,737,000	7.79	–	–	62,987,000	4.97	–	–
Mr. Colin Tan[2]	–	–	–	–	–	–	–	–	250,892,857	20.20	–	–	250,892,857	19.78	–	–
Mr. Edwin Tan[2]	–	–	–	–	–	–	–	–	250,892,857	20.20	–	–	250,892,857	19.78	–	–
Substantial Shareholders																
Luminor Pacific Fund 1 Ltd	61,640,802	9.02	–	–	15,410,201	9.02	–	–	15,410,201	1.24	–	–	15,410,201	1.22	–	–
ACIL[3]	–	–	–	–	–	–	–	–	67,857,142	5.46	–	–	62,857,142	4.96	–	–
Mr. Lim Choon Hian[3]	–	–	–	–	–	–	–	–	–	–	67,857,142	5.46	–	–	62,857,142	4.96
Other Shareholders																
PPCF	4,821,700	0.71	–	–	1,205,425	0.71	–	–	1,205,425	0.10	–	–	1,250,425	0.10	–	–
Other public Shareholders	229,497,984	33.57	–	–	57,374,496	33.57	–	–	57,374,496	4.61	–	–	122,124,496	9.62	–	–
Total	**683,542,003**	**100.00**	**–**	**–**	**170,885,501**	**100.00**	**–**	**–**	**1,242,314,070**	**100.00**	**–**	**–**	**1,268,314,070**	**100.00**	**–**	**–**

Notes:

(1) N.M. denotes not meaningful.

(2) Mr. Colin Tan and Mr. Edwin Tan are brothers. The aggregate shares to be held by Mr. Colin Tan and Mr. Edwin Tan, as parties acting in concert, account for approximately 40.40% of the total and issued-paid up share capital of the Company after the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed REGL Acquisition and the Proposed FSVL Acquisition and the Proposed AVL Acquisition but before the Proposed Compliance Placement, and approximately 39.56% after the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition and the Proposed Compliance Placement.

(3) As at the Latest Practicable Date, Mr. Lim Choon Hian is the sole shareholder of ACIL. Accordingly, Mr. Lim Choon Hian is deemed interested in the shares of the Company held by ACIL.

Save as disclosed in Section 24.5(A) of this Circular in relation to the abstention of voting rights of the Tan Shareholders in respect of certain resolutions, the Directors, Proposed Directors and Substantial Shareholders of the Company named above who have an interest in the shares of the Company do not have voting rights different from other Shareholders. Save for the Proposed AVL Acquisition, which involves the proposed issue of the Consideration Shares to the AVL Shareholders, the Directors are not aware of any arrangement, the operation of which may, at a subsequent date, result in a change in the control of the Company.

16. DIVIDEND POLICY

16.1 Capital City Group

Since its incorporation, the Capital City Group has not declared, approved or paid any dividends. As at the Latest Practicable Date, the Capital City Group does not have a fixed dividend policy.

16.2 The Enlarged Group

As a holding company, the Company is dependent on distributions from its subsidiaries in order to pay dividends in the future. The ability of its subsidiaries to declare and pay dividends to the Company, in terms of the timing, amount and form, will be dependent on the cash income of and cash available to subsidiaries and may be restricted under applicable laws or regulations.

There can be no assurance that dividends will be paid in the future or on the amount or timing of any dividends that may be paid in the future. The declaration and payment of any future dividends will depend upon factors such as operating results, financial position, cash requirements, expansion plans as well as any other factors deemed relevant by the New Board and subject to the approval of the Shareholders.

In making their dividend recommendation, the New Board will take into consideration the performance of the Enlarged Group, including the operating results, financial position, working capital requirements, capital expenditure needs, the terms of borrowing arrangements (if any), the level of cash and retained earnings, and other factors deemed relevant by the New Board. In addition, in determining the amount of dividends to be paid, consideration will be given to maximise Shareholders' value. In the circumstances, there is no assurance that dividends will be paid in the future or as to the amount or timing of any dividends that will be paid.

Subject to Cayman Companies Law and the Articles of Association, the Company in general meeting may from time to time declare a dividend or other distribution but no dividend or other distribution shall be declared in excess of the amount recommended by the New Board.

Shareholders and potential investors should note that all the foregoing statements are statements of the intention of the Current Board and shall not constitute legally binding statements in respect of future dividends which may be subject to the sole and absolute discretion of the New Board. No inference should or can be made from any of the foregoing statements as to actual future profitability of the Enlarged Group or the ability of the Company to pay dividends in the future.

Please refer to Section 13.4 entitled "Risk factors relating to the ownership of the shares of the Company following Completion – The Company may not be able to pay dividends in future" of this Circular for further details.

17. SELECTED FINANCIAL INFORMATION

The following selected financial information should be read in conjunction with the full text of this Circular, including the sections entitled "Management's Discussion and Analysis of Results of Operations and Financial Position of the Capital City Group", the "Combined Financial Statements of Altimate Ventures Limited and its Subsidiaries with Independent Auditor's Report for the Financial Years Ended 30 June 2014, 2015 and 2016", "Unaudited Interim Condensed Combined Financial Statements of Altimate Ventures Limited and its Subsidiaries for the Three-Month Period Ended 30 September 2016" and the Report on Unaudited Pro Forma Combined Financial Information of the Enlarged Group for the Financial Years Ended 30 June 2014, 2015 and 2016 and the Three-Month Period Ended 30 September 2016" as set out in Section 18, Appendix B, Appendix C and Appendix D to this Circular respectively.

Please also refer to the section entitled "Report on Unaudited Pro Forma Combined Financial Information of the Enlarged Group for the Financial Years Ended 30 June 2014, 2015 and 2016 and the Three-Month Period Ended 30 September 2016" as set out in Appendix D to this Circular for the basis of preparation and adjustments made for the pro forma combined financial information of the Enlarged Group.

REGL and FSVL were incorporated on 9 September 2016 and 8 December 2016 respectively. Other than the EHSB JVA entered into by CCV, being REGL's subsidiary, and the Perak JVA entered into by CCF, being FSVL's subsidiary upon completion of the Restructuring Exercise, REGL and FSVL have been dormant since their respective dates of incorporation. Accordingly, the financial information of the Capital City Group for FY2014, FY2015, FY2016, 3M2016 and 3M2017 (the "**Relevant Financial Periods**") is solely in respect of AVL and its subsidiaries upon completion of the Restructuring Exercise.

17.1 Statements of comprehensive income of the Capital City Group

	← Audited →			← Unaudited →	
(RM'000)	**FY2014**	**FY2015**	**FY2016**	**3M2016**	**3M2017**
Revenue	1,936	37,095	81,637	14,866	27,680
Cost of Sales	(1,133)	(9,221)	(19,053)	(3,418)	(4,959)
Gross profit	803	27,874	62,584	11,448	22,721
Other income	216	1,066	4,428	151	192
Selling and distribution expenses	(16,449)	(7,538)	(4,213)	(1,531)	(2,135)
General and administrative expenses	(2,222)	(4,321)	(5,420)	(744)	(1,255)
Finance costs	(6)	(7)	(7)	(2)	(2)
(Loss)/profit before tax	(17,658)	17,074	57,372	9,322	19,521
Income tax credit/(expense)	3,965	(5,584)	(14,460)	(2,350)	(4,813)
(Loss)/profit after tax and total comprehensive (loss)/income for the financial year/period	(13,693)	11,490	42,912	6,972	14,708

(RM'000)	← Audited → FY2014	FY2015	FY2016	← Unaudited → 3M2016	3M2017
Net (loss)/profit and total comprehensive (loss)/income attributable to:					
Equity holders of AVL	(13,693)	11,490	42,912	6,972	14,708
Non-controlling interests	–	–	–	–	–
(LPS)/EPS (cents)[1][2]	(1.08)	0.91	3.38	0.55	1.16

Notes:

(1) For illustrative purposes, assuming that the Service Agreements, CFO Service Agreement and FC Service Agreement (as described in Section 23.5 entitled "Service Agreements" of this Circular) had been in place since 1 July 2015, the Capital City Group's profit before income tax, profit for the year net of tax, EPS for FY2016 based on the Enlarged Share Capital of 1,268,314,070 Shares would have been approximately RM54.2 million, RM40.5 million and 3.19 RM cents respectively.

(2) For illustrative purposes, the LPS/EPS for the Relevant Financial Periods have been computed based on profit for the financial year/period, net of tax and the Enlarged Share Capital of 1,268,314,070 Consolidated Shares.

17.2 Statements of financial position of the Capital City Group

(RM'000)	Audited As at 30 June 2016	Unaudited As at 30 September 2016
ASSETS		
Non-current assets		
Property, plant and equipment	65,272	74,155
Inventory properties	83,645	89,590
Investment property under construction	124,946	127,560
Deferred expenditure	2,540	1,738
	276,403	293,043
Current assets		
Inventory properties	148,805	162,073
Deferred expenditure	9,331	9,848
Trade and other receivables	17,374	17,766
Prepayments	810	804
Fixed deposits	12,698	12,799
Cash and bank balances	1,383	6,334
	190,401	209,624
Total assets	466,804	502,667
EQUITY AND LIABILITIES		
Equity		
Share capital	5,000	5,000
Reserves	40,709	55,418
Total equity	45,709	60,418

(RM'000)	Audited As at 30 June 2016	Unaudited As at 30 September 2016
Non-current liabilities		
Hire purchase payables	83	71
Other payables	149,941	120,440
Deferred tax liabilities	2,870	2,811
	152,894	123,322
Current liabilities		
Hire purchase payables	48	49
Trade and other payables	106,054	155,920
Deferred revenue	157,744	156,231
Provision for taxation	4,355	6,727
	268,201	318,927
Total liabilities	421,095	442,249
Total equity and liabilities	466,804	502,667
NAV per Share (RM cents)(1)	3.60	4.76
NTA per Share (RM cents)(2)	2.67	3.85

Notes:

(1) For illustrative purposes, NAV per Share is computed based on the total equity and the Enlarged Share Capital of 1,268,314,070 Consolidated Shares.

(2) NTA has been adjusted for intangible assets comprising deferred expenditure. For illustrative purposes, NTA per Share is computed based on the total equity net of intangible assets and the Enlarged Share Capital of 1,268,314,070 Consolidated Shares.

17.3 Pro forma statements of comprehensive income of the Enlarged Group

	← Unaudited →	
(RM'000)	**FY2016**	**3M2017**
Revenue	114,565	33,909
Cost of sales	(50,783)	(10,433)
Gross profit(1)	63,782	23,476
Other income	7,196	225
Selling and distribution expenses	(4,736)	(2,222)
General and administrative expenses	(15,782)	(3,660)

(RM'000)	Unaudited FY2016	Unaudited 3M2017
Other expenses, net	(809)	–
Finance costs	(46)	(5)
Profit before tax	49,605	17,814
Income tax expense	(15,441)	(4,813)
Profit after tax	34,164	13,001

Note:

(1) Compared to FY2016, the gross profit margin in 3M2017 increased by approximately 13.5%, which was due to (i) a smaller increase in the cost of sales recognised for in 3M2017 as compared to FY2016 given that a substantial portion of the costs incurred for Project Capital City is capitalised in the balance sheet under inventory properties and investment properties in accordance with the accounting standards; and (ii) an increase in the gross profit generated from the Existing Business due to higher profit margin generated from marble sales during the corresponding financial period.

17.4 Pro forma statements of financial position of the Enlarged Group

(RM'000)	Unaudited As at 30 June 2016	Unaudited As at 30 September 2016
Non-current assets		
Property, plant and equipment	81,342	90,150
Intangible assets	2,035	2,042
Goodwill	33,498	45,347
Inventory properties	83,645	89,590
Investment property under construction	124,946	127,560
Deferred expenditure	2,540	1,738
	328,006	356,427
Current assets		
Inventory properties	148,805	162,073
Inventories	11,399	11,723
Deferred expenditure	9,331	9,848
Trade and other receivables	30,589	33,530
Prepayments	1,781	1,504
Fixed deposits	12,698	12,799
Cash and bank balances	6,491	10,820
	221,094	242,297
Total assets	549,100	598,724

(RM'000)	Unaudited As at 30 June 2016	Unaudited As at 30 September 2016
Current liabilities		
Interest-bearing bank and other borrowings	484	373
Trade and other payables	121,305	174,756
Deferred revenue	157,744	156,231
Provision for taxation	4,355	6,727
	283,888	338,087
Net current liabilities	62,794	95,790
Non-current liabilities		
Interest-bearing bank and other borrowings	83	71
Trade payables	149,941	120,440
Deferred tax liabilities	2,870	2,811
	152,894	123,322
Total liabilities	436,782	461,409
Equity		
Share capital	82,627	83,685
Reserves	29,500	53,436
	112,127	137,121
Non-controlling interests	191	194
Total equity	112,318	137,315
Total equity and liabilities	549,100	598,724

18. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION OF THE CAPITAL CITY GROUP

The following discussion of the results of operations and financial position of the Capital City Group for the Period Under Review should be read in conjunction with the Combined Financial Statements of Altimate Ventures Limited and its Subsidiaries with Independent Auditor's Report for the Financial Years Ended 30 June 2014, 2015 and 2016", the "Unaudited Interim Condensed Combined Financial Statements of Altimate Ventures Limited and its Subsidiaries for the Three-Month Period Ended 30 September 2016" and the Report on the Unaudited Pro Forma Combined Financial Information of Enlarged Group for the Financial Years Ended 30 June 2014, 2015 and 2016 and the Three-Month Period Ended 30 September 2016" as set out in Section 18, Appendix B, Appendix C and Appendix D to this Circular respectively.

REGL and FSVL were incorporated on 9 September 2016 and 8 December 2016 respectively. Other than the EHSB JVA entered into by CCV, being REGL's subsidiary upon completion of the Restructuring Exercise, and the Perak JVA entered into by CCF, being FSVL's subsidiary upon completion of the Restructuring Exercise, REGL and FSVL have been dormant since their respective dates of incorporation. Accordingly, the financial information of the Capital City Group for the Relevant Financial Periods is solely in respect of AVL and its subsidiaries upon completion of the Restructuring Exercise.

This discussion contains forward-looking statements that involve risks and uncertainties. The actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but not limited to, those discussed below and elsewhere in this Circular, particularly in Section 13 entitled "Risk Factors" of this Circular. Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Company, the Capital City Group, the Sponsor, Financial Advisor and Placement Agent or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as at the date hereof. Please refer to the section entitled "Cautionary Notes Regarding Forward-Looking Statements" of this Circular.

Except as otherwise indicated, the following discussion is based on the Capital City Group's combined financial statements, which have been prepared in accordance with the International Financial Reporting Standards.

OVERVIEW

The Capital City Group is an integrated property developer which undertakes the conception, design and implementation of integrated property development projects. Through working on a joint venture basis with landowners, the Capital City Group enhances the value of the landowner's land asset.

The Capital City Group is currently developing Project Capital City, an integrated property project comprising a retail mall, hotel and serviced suites and serviced apartments on the CCP Land Asset, on a joint venture basis with Achwell Property in accordance with the terms of the Achwell JVA. The Capital City Group has also entered into the EHSB JVA to develop Project Austin, an integrated development project expected to comprise a retail mall, office suites, hotel and residential apartments, and the Perak JVA in respect of Project Sitiawan Wellness Hub, a mixed development project focusing on providing health and wellness services.

Revenue

In the Relevant Financial Periods, the Capital City Group recorded revenue of approximately RM1.9 million, RM37.1 million, RM81.6 million, RM14.9 million and RM27.7 million respectively. This was solely attributable to the commencement of sales and marketing of the commercial Units in Phase 1 of Project Capital City.

Revenue is recognised to the extent that the economic benefits will flow to the Capital City Group and the revenue can be reliably measured regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) *Sale of development property*

A property is regarded as sold when the significant risks and rewards of ownership of the real estate have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

(b) *Sale of property under development*

Where a property is under development and an agreement has been reached to sell such property when construction is complete, the directors of the Capital City Group consider whether the contract is (aa) a contract to construct a property; or (bb) a contract for the sale of a completed property. Where a contract is determined to be for the construction of a property, revenue is recognised using the percentage of completion method as construction progresses. Where the contract is determined to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer. If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition is applied and revenue is recognised as work progresses. Continuous transfer of work in progress is applied when:

- the buyer controls the work-in-progress, typically when the land on which the development takes place is owned by the final customer; and

- all significant risks and rewards of the ownership of the work-in-progress in its present state are transferred to the Capital City Group.

In the above situations, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

Revenue from the Business is mainly dependent on the following factors:

(i) demand and sales volume of the Capital City Group's development properties;

(ii) sales prices of the Capital City Group's development properties;

(iii) the Capital City Group's ability to identify potential land assets and successfully enter into a joint venture agreement with the landowners;

(iv) changes in Malaysian government policies;

(v) the availability of mortgage financing available to the purchasers of the Capital City Group's development properties;

(vi) timing and duration of property development projects; and

(vii) market sentiment, market competition and general economic conditions.

Please refer to Section 13.2 entitled "Risk factors relating to the Capital City Group, its Business and industry" of this Circular for other factors which may affect the revenue and financial performance of the Business.

Cost of sales

The cost of sales incurred for the Business during the Relevant Financial Periods comprised (i) costs incurred by the main contractor in relation to the design and construction of Project Capital City, including but not limited to payments to independent sub-contractors undertaking the construction of the foundation and sub-structure works, fittings and related infrastructure works such as roads, pipelines, electrical supply and landscaping; (ii) fees payable to the architect and other third-party consultants; (iii) application and approval costs from related authorities; and (iv) other miscellaneous costs. Cost of sales incurred for the Business amounted to approximately RM1.1 million, RM9.2 million, RM19.1 million, RM3.4 million and RM5.0 million, which accounted for approximately 58.5%, 24.9%, 23.3%, 23.0% and 17.9% of the Capital City Group's revenue for FY2014, FY2015, FY2016, 3M2016 and 3M2017 respectively.

A breakdown of Capital City Group's cost of sales for the Relevant Financial Periods is set out below:

	FY2014		FY2015		FY2016		3M2016		3M2017	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Main contractor costs	400	35.3	7,763	84.2	17,497	91.8	2,925	85.6	3,874	78.1
Application and approval costs from related authorities	215	19.0	1,571	17.0	380	2.0	251	7.3	265	5.4
Architect and consultancy fees	518	45.7	(125)	N.M.[(1)]	250	1.3	60	1.8	–	–
Other miscellaneous costs	–	–	12	0.1	926	4.9	182	5.3	820	16.5
	1,133	100.0	9,221	100.0	19,053	100.0	3,418	100	4,959	100

Note:

(1) N.M. denotes not meaningful.

Main contractor costs relate to payments to the main contractor undertaking the main building works for Project Capital City which accounted for the largest proportion of the Capital City Group's cost of sales during the Relevant Financial Periods. Architect and consultancy fees relate to fees payable to the architect and other professionals that the Capital City Group engaged for Project Capital City. Application and approval costs from related authorities relate to levies, fees and payments to the relevant government or regulatory authorities in order to obtain the necessary licences, approvals and certifications in connection with its property development projects.

The cost of sales in relation to the Business will be mainly dependent on the following factors:

(a) the Capital City Group's ability to engage main contractors, architects and other third-party professionals with the requisite experience and skills at competitive costs;

(b) changes to government regulations and policies in relation to the property or construction industry which may result in additional compliance cost by the Capital City Group;

(c) changes made to subsisting development plans (for example, changes made to land use rights or plot ratio) which may result in the Capital City Group incurring government levies;

(d) changes in labour costs;

(e) changes in the construction costs or the supply of skilled workers in the property and construction sector; and

(f) the Capital City Group's ability to manage property development project costs and avoid cost overruns.

Gross profit and gross profit margin

Gross profit is determined after deducting cost of sales from the Capital City Group's revenue. Accordingly, the determinants of gross profit are the revenue generated from the Business and the cost of sales.

The gross profit margin of the Capital City Group was approximately 41.5%, 75.1%, 76.7%, 77.0% and 82.1% in FY2014, FY2015, FY2016, 3M2016 and 3M2017 respectively.

Other income

Other income comprised forfeiture income from cancelled sales, interest income and miscellaneous income. Forfeiture income is recognised by the Capital City Group when deposits or instalments paid by customers are forfeited according to the terms of the sales and purchase agreement, while interest income is recognised using the effective interest method.

Other income amounted to approximately RM0.2 million, RM1.1 million, RM4.4 million, RM0.2 million and RM0.2 million for FY2014, FY2015, FY2016, 3M2016 and 3M2017 respectively.

Selling and distribution expenses

The Capital City Group's sales and distribution expenses consist primarily of sales agent commission and incentives, sales gallery and promotion booth expenses. The sales offices of the Capital City Group are primarily located in Malaysia.

Selling and distribution expenses amounted to approximately RM16.4 million, RM7.5 million, RM4.2 million, RM1.5 million and RM2.1 million in FY2014, FY2015, FY2016, 3M2016 and 3M2017 respectively. Sales and distribution expenses accounted for approximately 88.1%, 63.6%, 43.7%, 67.3% and 63.0% of the Capital City Group's total operating costs in FY2014, FY2015, FY2016, 3M2016 and 3M2017 respectively.

General and administrative expenses

The Capital City Group's general and administrative expenses consist primarily of staff costs for administrative and corporate personnel, directors' remuneration, depreciation charges, traveling expenses, upkeep of motor vehicles and other miscellaneous expenses.

General and administrative expenses amounted to approximately RM2.2 million, RM4.3 million, RM5.4 million, RM0.7 million and RM1.3 million in FY2014, FY2015, FY2016, 3M2016 and 3M2017 respectively. Administrative expenses accounted for approximately 11.9%, 36.4%, 56.3%, 32.7% and 37.0% of the Capital City Group's total operating costs in FY2014, FY2015, FY2016, 3M2016 and 3M2017 respectively.

Finance costs

The Capital City Group's finance costs solely comprised finance lease expenses and the amount incurred was less than RM10,000 during each of the Relevant Financial Periods.

Taxation

During the Relevant Financial Periods, the Capital City Group was subject to income tax in Malaysia incurred by the Capital City Group in relation to its Business. The domestic income tax is calculated at the Malaysian statutory tax rate of 25%, 25% and 24% for FY2014, FY2015 and FY2016, respectively. The Malaysia statutory tax rate has been reduced from 25% to 24% with effect from year of assessment 2016 (FY2016). The computation of the deferred tax as at 30 June 2015 has factored in the change in the statutory audit tax rate.

The Capital City Group had an income tax credit of approximately RM4.0 million for FY2014 and income tax expense of approximately RM5.6 million, RM14.5 million, RM2.4 million and RM4.8 million for FY2015, FY2016, 3M2016 and 3M2017 respectively.

RESULTS OF OPERATIONS

Breakdown of the Capital City Group's past performance by business activities and geographical markets

As at the Latest Practicable Date, the Capital City Group derives its revenue solely from the sale of Units of Project Capital City and the Business only operates in Malaysia. Accordingly, a breakdown and analysis of the Capital City Group's revenue by business activities and geographical markets will not be meaningful.

REVIEW OF PAST PERFORMANCE

FY2015 vs FY2014

Revenue

Revenue increased by approximately RM35.2 million from approximately RM1.9 million in FY2014 to approximately RM37.1 million in FY2015 due to an increase in the amount of revenue recognised based on percentage of completion of the construction work performed in respect of the sold retail Units reaching approximately 9.5% in FY2015 as compared to 0.9% in FY2014.

Cost of sales

Cost of sales increased by approximately RM8.1 million from approximately RM1.1 million in FY2014 to approximately RM9.2 million in FY2015 due to an increase in main contractor costs and application and approval costs from related authorities following the commencement of construction work of Project Capital City in FY2015.

Gross profit and gross profit margin

In line with the increase in stage of completion recognised for Project Capital City, gross profit increased by approximately RM27.1 million from approximately RM0.8 million in FY2014 to RM27.9 million in FY2015. The gross profit margin also increased from 41.5% in FY2014 to 75.1% in FY2015 as a result of a higher increase in revenue as compared to cost of sales.

Other income

Other income increased by approximately RM0.9 million from approximately RM0.2 million in FY2014 to approximately RM1.1 million in FY2015. The increase was mainly due to an increase in (i) fixed deposits interest income of approximately RM0.3 million; (ii) forfeiture income from cancelled sales of commercial retail units in Project Capital City in FY2015 which amounted to approximately RM0.4 million; and (iii) other miscellaneous income of approximately RM0.2 million in FY2015.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RM8.9 million from approximately RM16.4 million in FY2014 to approximately RM7.5 million in FY2015. The decrease in selling and marketing expenses was mainly attributable to (i) a significant reduction in promotional and marketing costs of approximately RM6.1 million due to one-time promotional and marketing costs incurred in FY2014 mainly for launch events, billboards and advertisements in Malaysia and Singapore in conjunction with the launch of Project Capital City; and (ii) a decrease in sales agent commission and incentives of approximately RM7.1 million in FY2015 due to the termination of the Management Contract with Hatten Properties in FY2014. The decrease was partially offset by expenses incurred in relation to the building of a sales gallery amounting to approximately RM4.3 million in FY2015.

General and administrative expenses

General and administrative expenses increased by approximately RM2.1 million, from approximately RM2.2 million in FY2014 to approximately RM4.3 million in FY2015. The increase in general and administrative expenses was mainly due to an increase in (i) staff costs of approximately RM1.5 million as a result of an increase in employee headcount; (ii) depreciation expenses of approximately RM0.2 million; and (iii) other administrative expenses of approximately RM0.4 million.

Finance costs

Finance costs remained constant as there were no additional interest bearing borrowing obligations incurred in FY2015.

Profit/Loss before tax

Profit before tax increased by approximately RM34.7 million from a loss before tax of approximately RM17.6 million in FY2014 to a profit before tax of approximately RM17.1 million in FY2015, which is attributable to (i) the increase in gross profit of approximately RM27.1 million; (ii) an increase in other income of approximately RM0.9 million; and (iii) a net decrease in operating expenses of approximately RM6.8 million in FY2015.

Income tax expenses/credit

The Capital City Group had an income tax credit of approximately RM4.0 million for FY2014 mainly as a result of the Capital City Group's tax losses in its first year of operation in FY2014 that are available for offset against future taxable profits of the subsidiary in which the losses arose, for which deferred tax asset is recognised. For FY2015, the Capital City Group incurred income tax expenses of approximately RM5.6 million mainly as a result of increase in profit before tax and utilisation of tax losses in FY2014.

FY2016 vs FY2015

Revenue

Revenue increased by approximately RM44.5 million from approximately RM37.1 million in FY2015 to approximately RM81.6 million in FY2016, due to an increase in the amount of revenue recognised based on percentage of completion of the construction work performed in respect of the sold retail units reaching approximately 24.8% in FY2016 as compared to 9.5% in FY2015.

Cost of sales

Cost of sales increased by approximately RM9.9 million from approximately RM9.2 million in FY2015 to approximately RM19.1 million in FY2016 mainly due to an increase in main contractor costs, architect and consultancy fees and other miscellaneous cost.

Gross profit and gross profit margin

In line with the increase in stage of completion recognised for Project Capital City, gross profit increased by approximately RM34.7 million from approximately RM27.9 million in FY2015 to RM62.6 million in FY2016. The gross profit margin increased marginally from 75.1% in FY2015 to 76.7% in FY2016.

Other income

Other income increased by approximately RM3.3 million from approximately RM1.1 million in FY2015 to approximately RM4.4 million in FY2016. The increase was mainly due to an increase in forfeiture income of approximately RM3.4 million from cancelled sales of commercial retail units in Project Capital City in FY2016 as some of the purchasers were not able to fulfil their obligations under the sale and purchase agreements. Following the cancellation of a sold unit or termination of the sale and purchase agreement, the Capital City Group can release the unit for sale again. The management of the Capital City Group is of the view that such cancelled sales are not expected to have any material adverse impact to the financial performance of the Capital City Group.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RM3.3 million, from RM7.5 million in FY2015 to approximately RM4.2 million in FY2016. The decrease in selling and marketing expenses was attributable to a decrease in (i) sales gallery expenses of approximately RM3.9 million as a large proportion of the costs was incurred in previous financial year during the initial setup; and (ii) other miscellaneous sales expenses of RM0.8 million. The decrease was partially offset by an increase in commission to sales agent of approximately RM1.4 million mainly due to an increase in the units sold for Project Capital City.

General and administrative expenses

General and administrative expenses increased by approximately RM1.1 million, from approximately RM4.3 million in FY2015 to approximately RM5.4 million in FY2016. The increase in general and administrative expenses was mainly due to an increase in (i) staff costs of approximately RM0.2 million; (ii) professional fees of approximately RM1.2 million mainly for the engagement of audit services in relation to the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition; and (iii) expenses of approximately RM0.4 million in relation to the design competition, "Design Capital 21". The increase was partially offset by a decrease in miscellaneous expenses of approximately RM0.7 million.

Finance costs

Finance costs remained constant as there were no additional interest bearing borrowing obligations incurred in FY2016.

Profit before tax

Profit before tax increased by approximately RM40.3 million from approximately RM17.1 million in FY2015 to approximately RM57.4 million in FY2016, mainly due to (i) an increase in gross profit of approximately RM34.7 million; (ii) an increase in other operating income approximately of RM3.4 million; and (iii) a net decrease in operating expenses of approximately RM2.2 million in FY2016.

Income tax expenses

Income tax expenses increased by approximately RM8.9 million from approximately RM5.6 million in FY2015 to approximately RM14.5 million in FY2016. The Capital City Group's effective income tax rate in FY2015 was 32.7% as compared to 25.2% in FY2016. The higher effective income tax rate in FY2015 was mainly due higher non-tax deductible expenses relating to the sales gallery. The lower effective income tax rate in FY2016 was mainly due to a reduction in the domestic statutory tax rate to 24% from 25% and as a result of utilisation of tax losses in FY2015.

3M2016 vs 3M2017

Revenue

Revenue increased by approximately RM12.8 million from approximately RM14.9 million in 3M2016 to approximately RM27.7 million in 3M2017, due to an increase in the amount of revenue recognised based on percentage of completion of the construction work performed in respect of the sold retail units reaching approximately 29.4% in 3M2017 as compared to 12.6% in 3M2016.

Cost of sales

Cost of sales increased by approximately RM1.5 million from approximately RM3.4 million in 3M2016 to approximately RM4.9 million in 3M2017 mainly due to an increase in main contractor costs of approximately RM0.9 million and other miscellaneous cost of approximately RM0.6 million.

Gross profit and gross profit margin

In line with the increase in stage of completion recognised for Project Capital City, gross profit increased by approximately RM11.3 million from approximately RM11.4 million in 3M2016 to RM22.7 million in 3M2017. The gross profit margin also increased from 77.0% in 3M2016 to 82.1% in 3M2017.

Other income

There was a negligible increase in other income from 3M2016 to 3M2017. This was mainly due to an increase in forfeiture income from cancelled sales of commercial retail units in Project Capital City and interest income in 3M2017, which was partially offset by a decrease in other miscellaneous income in 3M2017.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RM0.6 million, from RM1.5 million in 3M2016 to approximately RM2.1 million in 3M2017. The increase in selling and marketing expenses was mainly attributable to an increase in commission to sales agent of approximately RM0.5 million mainly due to an increase in the units sold for Project Capital City and advertisement costs of approximately RM0.1 million in 3M2017.

General and administrative expenses

General and administrative expenses increased by approximately RM0.5 million, from approximately RM0.7 million in 3M2016 to approximately RM1.2 million in 3M2017. The increase in general and administrative expenses was mainly due to an increase in (i) staff remuneration of approximately RM0.1 million; (ii) travelling expenses of approximately RM0.1 million; (iii) professional fees of approximately RM0.2 million mainly for the engagement of audit services in relation to the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition; (iv) expenses of approximately RM0.1 million in relation to the design competition, "Design Capital 21"; and (v) other miscellaneous expenses of approximately RM0.1 million.

Finance costs

Finance costs remained constant as there were no additional interest bearing borrowing obligations incurred in 3M2017.

Profit before tax

Profit before tax increased by approximately RM10.2 million from approximately RM9.3 million in 3M2016 to approximately RM19.5 million in 3M2017, mainly due to an increase in gross profit of approximately RM11.3 million which was partially offset by an increase in operating expenses of approximately RM1.1 million in 3M2017.

Income tax expenses

Income tax expenses increased by approximately RM2.5 million from approximately RM2.3 million in 3M2016 to approximately RM4.8 million in 3M2017. The Capital City Group's effective income tax rate in 3M2016 was 25.2% as compared to 24.7% in 3M2017. The lower effective income tax rate was mainly due to a reduction in the domestic statutory tax rate to 24% from 25%.

REVIEW OF FINANCIAL POSITION

As at 30 September 2016

Non-current assets

As at 30 September 2016, the non-current assets of the Capital City Group amounted to approximately RM293.0 million and accounted for approximately 58.3% of its total assets. The Capital City Group's non-current assets comprised the following:

(a) property, plant and equipment of approximately RM74.1 million, accounting for approximately 25.3% of the non-current assets. Property, plant and equipment comprised mainly a portion of the capitalisation of land consideration, building-in-progress works in respect of the assets of Project Capital City which are not yet available for use and other fixed assets;

(b) inventory properties of approximately RM89.6 million, accounting for approximately 30.6% of the non-current assets. Inventory properties comprised the development costs incurred (including a portion of the capitalisation of land consideration) in relation to the construction of Units and areas in Project Capital City which are held for sale;

(c) investment properties under construction of approximately RM127.6 million, accounting for approximately 43.5% of the non-current assets. Investment properties comprised development costs incurred (including a portion of the capitalisation of land consideration in relation to completed Units and areas), as well as Units and areas of Project Capital City under construction and which are held by the Capital City Group for rental and/or capital appreciation purposes; and

(d) deferred expenditure of approximately RM1.7 million, accounting for approximately 0.6% of the non-current assets, which comprised deferred sales agent commission and legal costs incurred to secure sales of property units.

Current assets

As at 30 September 2016, the current assets of the Capital City Group amounted to approximately RM209.6 million representing approximately 41.7% of total assets. The Capital City Group's current assets comprised the following:

(a) inventory properties of approximately RM162.1 million accounting for approximately 77.3% of the total current assets. Inventory properties comprised solely constructed properties held for sale;

(b) deferred expenditure of approximately RM9.8 million accounting for approximately 4.7% of the total current assets, which relates to sales agent commission and legal costs incurred to secure sales of property units;

(c) trade and other receivables of approximately RM17.8 million accounting for approximately 8.5% of the total current assets. Trade and other receivables comprised mainly trade receivables from third party purchasers of approximately RM12.8 million and sundry receivables and deposits of approximately RM5.0 million;

(d) prepayments of approximately RM0.8 million accounting for approximately 0.4% of total current assets. Prepayments solely comprised prepaid expenditures in relation to legal fees paid on behalf of customers in relation to preparatory work performed for the sale and purchase agreements for the purchase of Project Capital City's Units;

(e) fixed deposits of approximately RM12.8 million accounting for approximately 6.1% of the total current assets; and

(f) bank and cash balances of approximately RM6.3 million accounting for approximately 3.0% of the total current assets.

Current liabilities

As at 30 September 2016, the current liabilities of the Capital City Group amounted to approximately RM318.9 million representing approximately 72.1% of its total liabilities. The Capital City Group's current liabilities comprised mainly the following:

(a) hire purchase payables of approximately RM0.1 million, accounting for less than 0.1% of the total current liabilities. Hire purchase payables relate to the hire purchase facilities from banking institution for the purchase of motor vehicles;

(b) trade and other payables of approximately RM155.9 million accounting for approximately 48.9% of the total current liabilities. Trade and other payables comprised mainly trade payables to subcontractor, architect, consultant and amount payable to Achwell Property pursuant to the Achwell JVA which accounted for approximately RM132.3 million and other payables and accruals amounting to approximately RM23.6 million;

(c) deferred revenue of approximately RM156.2 million accounting for approximately 49.0% of the total current liabilities. Deferred revenue comprised advance progress billings to purchasers in respect of inventory properties less amount recognised as revenue; and

(d) provision for taxation of approximately RM6.7 million accounting for approximately 2.1% of the total current liabilities.

Non-current liabilities

As at 30 September 2016, the non-current liabilities of the Capital City Group amounted to approximately RM123.3 million representing approximately 27.9% of total liabilities. The Capital City Group's non-current liabilities comprised the following:

(a) hire purchase payables of approximately RM0.1 million, accounting for approximately 0.1% of total non-current liabilities. Hire purchase payables relate to the hire purchase facilities from banking institution for the purchase of motor vehicles;

(b) trade payables of approximately RM120.4 million accounting for approximately 97.6% of total non-current liabilities. Other payables comprised the amount payable to Achwell Property pursuant to the Achwell JVA; and

(c) deferred tax liabilities of approximately RM2.8 million accounting for approximately 2.3% of total non-current liabilities.

Share capital and reserves

As at 30 September 2016, the Capital City Group was in a net asset position of approximately RM60.4 million which comprised (i) share capital of RM5.0 million; and (ii) retained earnings of approximately RM55.4 million.

As at 30 June 2016

Non-current assets

As at 30 June 2016, the non-current assets of the Capital City Group amounted to approximately RM276.4 million and accounted for approximately 59.2% of its total assets. The Capital City Group's non-current assets comprised the following:

(a) property, plant and equipment of approximately RM65.3 million, accounting for approximately 23.6% of the non-current assets. Property, plant and equipment comprised mainly a portion of the capitalisation of land consideration, building-in-progress works in respect of the assets of Project capital City which are not yet available for use and other fixed assets;

(b) inventory properties of approximately RM83.6 million, accounting for approximately 30.3% of the non-current assets. Inventory properties comprised the development costs incurred (including a portion of the capitalisation of land consideration) in relation to the construction of Units and areas in Project Capital City which are held for sale;

(c) investment properties under construction of approximately RM125.0 million, accounting for approximately 45.2% of the non-current assets. Investment properties comprised development costs incurred (including a portion of the capitalisation of land consideration in relation to completed Units and areas, as well as Units and areas of Project Capital City under construction and which are held by the Capital City Group for rental and/or capital appreciation purposes; and

(d) deferred expenditure of approximately RM2.5 million, accounting for approximately 0.9% of the non-current assets, which comprised deferred sales agent commission and legal costs incurred to secure sales of property units.

Current assets

As at 30 June 2016, the current assets of the Capital City Group amounted to approximately RM190.4 million representing approximately 40.8% of total assets. The Capital City Group's current assets comprised the following:

(a) inventory properties of approximately RM148.8 million accounting for approximately 78.2% of the total current assets. Inventory properties comprised solely constructed properties held for sale;

(b) deferred expenditure of approximately RM9.3 million accounting for approximately 4.9% of the total current assets, which comprised sales agent commission and legal costs incurred to secure sales of property units;

(c) trade and other receivables of approximately RM17.4 million accounting for approximately 9.1% of the total current assets. Trade and other receivables comprised trade receivables from third party purchasers of approximately RM12.2 million and sundry receivables and deposits of approximately RM5.2 million;

(d) prepayments of approximately RM0.8 million accounting for approximately 0.4% of the total current assets. Prepayments solely comprised prepaid expenditures in relation to legal fees paid on behalf of customers in relation to preparatory work performed for the sale and purchase agreements for the purchase of Project Capital City's units;

(e) fixed deposits of approximately RM12.7 million accounting for approximately 6.7% of the total current assets; and

(f) bank and cash balances of approximately RM1.4 million accounting for approximately 0.7% of the total current assets.

Current liabilities

As at 30 June 2016, the current liabilities of the Capital City Group amounted to approximately RM268.2 million representing approximately 63.7% of its total liabilities. The Capital City Group's current liabilities comprised mainly the following:

(a) trade and other payables of approximately RM106.1 million accounting for approximately 39.6% of the total current liabilities. Trade and other payables comprised mainly trade payables to subcontractor, architect, consultant and amount payable to Achwell Property pursuant to the Achwell JVA which accounted for approximately RM86.0 million and other payables and accruals amounting to RM20.1 million;

(b) deferred revenue of approximately RM157.7 million accounting for approximately 58.8% of the total current liabilities. Deferred revenue comprised advance progress billings to purchasers in respect of inventory properties less amount recognised as revenue; and

(c) provision for taxation of approximately RM4.4 million accounting for approximately 1.6% of the total current liabilities.

Non-current liabilities

As at 30 June 2016, the non-current liabilities of the Capital City Group amounted to approximately RM152.9 million representing approximately 36.3% of its total liabilities. The Capital City Group's non-current liabilities comprised the following:

(a) hire purchase payables of approximately RM0.1 million, accounting for approximately 0.1% of the total non-current liabilities. Hire purchase payables relate to the hire purchase facilities from banking institution for the purchase of motor vehicles;

(b) other payable of approximately RM149.9 million accounting for approximately 98.0% of the total non-current liabilities. Other payable comprised the amount payable to Achwell Property pursuant to the Achwell JVA; and

(c) deferred tax liabilities of approximately RM2.9 million accounting for approximately 1.9% of the total non-current liabilities.

Share capital and reserves

As at 30 June 2016, the Capital City Group was in a net asset position of approximately RM45.7 million which comprised (i) share capital of approximately RM5.0 million; and (ii) retained earnings of approximately RM40.7 million.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth a summary of the cash flows of the Capital City Group for the Relevant Financial Periods:

	← Audited →			← Unaudited →	
(RM'000)	**FY2014**	**FY2015**	**FY2016**	**3M2016**	**3M2017**
Net cash flows generated from operating activities	130,250	12,002	42,509	5,152	14,774
Net cash flows used in investing activities	(93,076)	(23,213)	(59,103)	(19,121)	(9,710)
Net cash flows generated from/(used in) financing activities	4,043	719	(169)	(11)	76
Net increase/(decrease) in cash and cash equivalents	41,217	(10,492)	(16,763)	(13,980)	5,140
Cash and cash equivalents at beginning of the financial year/period	–	41,217	30,725	30,725	13,962
Cash and cash equivalents at end of the financial year/period	**41,217**	**30,725**	**13,962**	**16,745**	**19,102**

FY2014

In FY2014, the Capital City Group recorded a net cash inflow from operating activities of approximately RM130.3 million, following the adjustment for net working capital inflows of approximately RM147.8 million and net interest received of approximately RM0.1 million despite an operating loss before changes in working capital of approximately RM17.7 million. The net working capital inflows were mainly due to the following:

(a) a decrease in trade and other receivables of approximately RM51.1 million; and

(b) an increase in trade and other payables of approximately RM263.6 million.

The aforesaid working capital cash inflows were partially offset by an increase in inventory properties of approximately RM158.8 million and an increase in deferred expenditure incurred of RM8.1 million during the financial year.

Net cash outflows from investing activities amounted to approximately RM93.1 million, which was mainly due to expenditure on investment property under construction of approximately RM55.0 million and the purchase of property, plant and equipment during the financial year of approximately RM38.1 million.

Net cash inflows from financing activities amounted to approximately RM4.0 million, which were mainly attributable to cash inflows of approximately RM4.1 million from the proceeds arising from the issuance of ordinary shares. This was offset by approximately RM0.1 million for the repayment of hire purchase payables during the financial year.

FY2015

In FY2015, the Capital City Group recorded a net cash inflow from operating activities of approximately RM12.0 million, which was a result of operating profits before changes in working capital of approximately RM19.3 million, adjusted for net working capital outflows of approximately RM3.2 million, net interest received of approximately RM0.4 million and income tax paid of approximately RM4.5 million. The net working capital outflows were mainly due to the following:

(a) an increase in inventory properties of approximately RM19.2 million;

(b) an increase in deferred expenditure of RM6.4 million; and

(c) a decrease in trade and other payables of approximately RM25.2 million.

The working capital cash outflows were partially offset by a decrease in trade and other receivables of approximately RM47.6 million.

Net cash outflows from investing activities amounted to approximately RM23.2 million were mainly due to expenditure on investment property under construction of approximately RM18.7 million and the purchase of property, plant and equipment of approximately RM4.7 million. This was partially offset by the proceeds from disposal of property, plant and equipment of approximately RM0.2 million during the financial year.

Net cash inflows from financing activities amounted to approximately RM0.7 million were mainly attributable to cash inflows of approximately RM0.9 million from the proceeds from issuance of ordinary shares. This was partially offset by the repayment of hire purchase payables of approximately RM0.2 million during the financial year.

FY2016

In FY2016, the Capital City Group recorded a net cash inflow from operating activities of approximately RM42.5 million, which was a result of operating profits before changes in working capital of approximately RM60.9 million, adjusted for net working capital outflows of approximately RM14.4 million, net interest received of approximately RM0.4 million and income tax paid of approximately RM4.4 million. The net working capital outflows were mainly due to the following:

(a) an increase in inventory properties of approximately RM29.5 million;

(b) an increase in deferred expenditure of RM3.5 million; and

(c) a decrease in trade and other payables of approximately RM22.2 million.

The aforesaid working capital cash outflows were partially offset by a decrease in trade and other receivables of approximately RM40.9 million.

Net cash outflows from investing activities amounted to approximately RM59.1 million, which was due to expenditure on investment property under construction of approximately RM42.5 million and the purchase of property, plant and equipment of approximately RM16.6 million during the financial year.

Net cash outflows from financing activities amounted to approximately RM0.2 million, which were attributable to the repayment of hire purchase payables of approximately RM0.1 million and a fixed deposit secured of approximately RM0.1 million during the financial year.

3M2017

In 3M2017, the Capital City Group recorded a net cash inflow from operating activities of approximately RM14.8 million, which was a result of operating profits before changes in working capital of approximately RM20.4 million, adjusted for net working capital outflows of approximately RM3.2 million, net interest received of approximately RM0.1 million and income tax paid of approximately RM2.5 million. The net working capital outflows were mainly due to the following:

(a) an increase in inventory properties of approximately RM16.1 million;

(b) an increase in deferred expenditure of RM0.6 million; and

(c) an increase in trade and other receivables of RM0.4 million.

The aforesaid working capital cash outflows were partially offset by an increase in trade and other payables of approximately RM13.9 million.

Net cash outflows from investing activities amounted to approximately RM9.7 million, which was due to expenditure on investment property under construction of approximately RM1.5 million and the purchase of property, plant and equipment of approximately RM8.2 million during the financial period.

Net cash inflows from financing activities amounted to approximately RM0.1 million, which were attributable mainly to a withdrawal of bank guarantee of approximately RM0.1 million during the financial period.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure

The capital expenditures made by the Capital City Group for the Period Under Review and for the period from 1 October 2016 to the Latest Practicable Date are set out as follows:

(RM'000)	FY2014	FY2015	FY2016	3M2017	From 1 October 2016 to the Latest Practicable Date
Computers and equipment	196	86	8	2	10
Furniture and fittings	47	47	14	–	–
Motor vehicle	424	55	–	–	–
Office equipment	63	49	1	6	–
Renovation	–	243	–	–	–
Freehold land	37,583	–	–	–	–
Building-in-progress	795	6,905	19,447	8,938	9,805
Total	**39,108**	**7,385**	**19,470**	**8,946**	**9,815**

Operating lease commitments

As at 30 June 2016, 30 September 2016 and the Latest Practicable Date, the Capital City Group has entered into non-cancellable operating leases for the use of various properties as the Capital City Group's main office for sales and administrative works and warehouses for marketing models and materials. The future minimum lease payables under non-cancellable operating leases contracted for as at 30 June 2016, 30 September 2016 and as at the Latest Practicable Date are as follows:

(RM'000)	As at 30 June 2016	As at 30 September 2016	As at the Latest Practicable Date
Within one (1) year	213	192	116
After one year (1) but within five (5) years	23	5	–
Total	**236**	**197**	**116**

Capital commitments

The Capital City Group has no capital commitments as at 30 September 2016 and as at the Latest Practicable Date.

Finance lease commitments

As at 30 June 2016, 30 September 2016 and as at the Latest Practicable Date, the Capital City Group's finance lease commitments are set out as below.

(RM'000)	Minimum lease payments	Future finance charges	Present value of minimum lease payments
As at 30 June 2016			
Repayable within one (1) year	**53**	**(5)**	**48**
Repayable after one (1) year but within five (5) years	86	(3)	83
	139	**(8)**	**131**
As at 30 September 2016	54	(5)	49
Repayable within one (1) year	73	(2)	71
Repayable after one (1) year but within five (5) years	**127**	**(7)**	**120**
As at the Latest Practicable Date			
Repayable within one (1) year	53	(5)	48
Repayable after one (1) year but within five (5) years	51	(1)	50
	104	**(6)**	**98**

Contingent liabilities

As at the Latest Practicable Date, to the best of the Capital City Group's knowledge, information and belief, the Capital City Group did not have any contingent liabilities which may have a material effect on the financial position and profitability of the Capital City Group.

FOREIGN EXCHANGE MANAGEMENT

The accounting records of Capital City Group are maintained in RM. All revenue and purchases of the Capital City Group are derived in RM. The Capital City Group did not have any revenue denominated in other foreign currencies for the Relevant Financial Periods.

The proportions of the Capital City Group's expenses for the Relevant Financial Periods denominated in and foreign currencies are as follows:

Percentage of expenses denominated in:	FY2014 (%)	FY2015 (%)	FY2016 (%)	3M2016 (%)	3M2017 (%)
RM	99.7	81.2	95.5	99.5	91.6
S$	0.3	17.9	–	–	3.6
US$	–	0.9	4.5	0.5	4.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

To the extent that the revenue, purchases and expenses are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and collection/payment, the Capital City Group will be exposed to adverse fluctuations of the various currencies against the RM, which will adversely affect their earnings.

The Capital City Group's net foreign exchange exposure for the Relevant Financial Periods was as follows:

	FY2014	FY2015	FY2016	3M2016	3M2017
Net foreign exchange (loss)/gain (RM'000)	N.M.(1)	(62.0)	170.0	85.0	5.0
As a percentage of revenue (%)	N.M.	0.2	0.2	0.6	N.M.
As a percentage of profit/(loss) before taxes (%)	N.M.	0.4	0.3	0.9	N.M.

Note:

(1) N.M. denotes not meaningful.

The foreign exchange exposure of the Capital City Group was mainly in relation to the sales, marketing and promotion expenses which were charged in foreign currencies.

The Capital City Group does not currently have a formal hedging policy although they may, subject to the approval of the New Board, enter into relevant transactions when necessary, to hedge their exposure to foreign currency fluctuations. They will also put in place, where necessary, procedures to hedge their exposure to foreign currency fluctuations. Such procedures will be reviewed and approved by the Audit Committee and the New Board to be in line with the foreign exchange management policy.

SIGNIFICANT ACCOUNTING POLICY CHANGES

Please refer to the section entitled "Significant Accounting Policies" in the "Combined Financial Statements of Altimate Ventures Limited and its Subsidiaries with Independent Auditor's Report for the Financial Years Ended 30 June 2014, 2015 and 2016", the "Unaudited Interim Condensed Combined Financial Statements of Altimate Ventures Limited and its Subsidiaries for the Three-Month Period Ended 30 September 2016" and the "Report on Unaudited Pro Forma Combined Financial Information of the Enlarged Group for the Financial Years Ended 30 June 2014, 2015 and 2016 and the Three-Month Period Ended 30 September 2016" as set out in Appendix B, Appendix C and Appendix D to this Circular respectively, for details on the Capital City Group's accounting policies.

The accounting policies adopted are consistent with those of the previous financial years, except in the current financial year, the Capital City Group has adopted all the new and revised standards that are effective for annual financial periods beginning on or after 1 July 2015. The adoption of these standards did not have any effect on the financial performance or position of the Capital City Group. During the financial year, the Capital City Group has adopted IFRS 15 Revenue from Contracts with Customers which is effective for annual periods beginning on or after 1 January 2018 as detailed below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Under IFRS 15, the revenue from the sale of properties in Malaysia fulfilled the revenue recognition criteria based on percentage of completion. Revenue from sales of retail properties where the contracts are not in substance construction contracts and do not lead to continuous transfer of work in progress, is recognised when both: (i) construction is complete; and (ii) either legal title to the property has been transferred or there has been an unconditional exchange of contracts. Construction and other expenditure attributable to such property are included in inventory property.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units which are incurred to secure the sales contracts are deferred and expensed by matching to the revenue. The Capital City Group has applied the standard retrospectively in full.

19. CAPITALISATION AND INDEBTEDNESS

The following table, which should be read in conjunction with Section 18 entitled "Management's Discussion and Analysis of Results of Operations and Financial Position of the Capital City Group", Appendix B entitled "Combined Financial Statements of Altimate Ventures Limited and its Subsidiaries with Independent Auditor's Report for the Financial Years ended 30 June 2014, 2015 and 2016" and Appendix C entitled "Unaudited Interim Condensed Combined Financial Statements of Altimate Ventures Limited and its Subsidiaries for the Three-Month Period Ended 30 September 2016" to this Circular shows the Capital City Group's cash and cash balances, capitalisation and indebtedness which were prepared:

(a) based on the unaudited interim condensed combined financial statements of Altimate Ventures Limited and its subsidiaries as at 30 September 2016;

(b) based on the unaudited combined management accounts of Altimate Ventures Limited and its subsidiaries as at the Latest Practicable Date; and

(c) as adjusted for the net proceeds from the Proposed Compliance Placement, after deducting estimated expenses incurred in connection with the Proposed Transactions.

	← Unaudited →		
(RM'000)	**As at 30 September 2016**	**As at the Latest Practicable Date**	**As adjusted for the net proceeds from the Proposed Compliance Placement**
Bank and cash balances	19,133	22,433	45,495
Indebtedness			
Current			
Hire purchase payables[(1)]	49	48	48
Non-current			
Hire purchase payables[(1)]	71	50	50
Total indebtedness	120	98	98
Total shareholders' equity	60,418	75,068	98,130
Total capitalisation and indebtedness	60,538	75,166	98,228

Note:

(1) The hire purchase payables are unsecured and guaranteed.

Borrowings

As at the date of this Circular, the Capital City Group's banking facilities from the financial institutions are as follows:

Financial Institution	Nature of facility	Facility amount (RM'000)	Utilised amount (RM'000)	Unutilised amount (RM'000)	Interest rate	Maturity profile
Public Bank Berhad	Hire purchase	113	113	–	2.58%	60 months (4 February 2019)
Public Bank Berhad	Hire purchase	184	184	–	2.35%	60 months (29 May 2019)
United Overseas Bank (Malaysia) Berhad	Guarantee	30.8	30.8	–	–	12 months (9 September 2017)
Total		**327.8**	**327.8**	**–**		

As at the date of this Circular, save as disclosed above, there are no loans or borrowings or banking facilities taken up by the Capital City Group.

Save as disclosed under Section 18 entitled "Management's Discussion and Analysis of Results of Operations and Financial Position of the Capital City Group" of this Circular, the Capital City Group does not have any material unused sources of liquidity.

The hire purchase facilities taken up by the Capital City Group were secured by certain personal guarantees from Mr. Siow and Mr. Colin Tan. Please refer to Section 24.3 entitled "Present and ongoing interested person transactions" of this Circular for further details on the guarantees provided.

To the best of the Capital City Group Directors' knowledge, the Capital City Group is not in breach of any of the terms and conditions or covenants associated with any of the Capital City Group's financing arrangements which could materially affect the Capital City Group's financial position and results or business operations, or the investments of its shareholders.

As at the date of this Circular, there were no material changes to the total capitalisation and indebtedness as disclosed above, save for changes in the Capital City Group's retained earnings arising from its day-to-day operations in the ordinary course of business.

20. WORKING CAPITAL

20.1 The Capital City Group

The Capital City Group financed its operations through both internal and external sources of funds. The internal sources of funds comprise cash generated from the Capital City Group's operations. The external sources of funds comprise mainly capital investment or loans from the AVL Shareholders, the REGL Shareholders and the FSVL Shareholders.

The Capital City Group had cash and bank balances (including fixed deposits) of approximately RM41.2 million, RM30.7 million, RM14.1 million and RM19.1 million as at 30 June 2014, 30 June 2015, 30 June 2016 and 30 September 2016 respectively. As at the Latest Practicable Date, the Capital City Group had cash and bank balances (including fixed deposits) of approximately RM22.4 million.

The Capital City Group generated positive operating cash flows of RM130.3 million, RM12.0 million, RM42.5 million and RM14.8 million in FY2014, FY2015, FY2016 and 3M2017 respectively. However, the Capital City Group recorded negative working capital (i.e. current liabilities exceeded current assets) of approximately RM57.3 million, RM77.8 million and RM109.3 million as at 30 June 2015, 30 June 2016 and 30 September 2016 respectively. The negative working capital position can be mainly attributed to the following:

(a) due to the nature of the Capital City Group's business and accounting policies, a substantial portion of its assets are attributable to non-current assets which comprised mainly investment property under construction and inventory properties, representing in aggregate approximately 50.4%, 44.7% and 43.2% of the Capital City Group's total assets as at 30 June 2015, 30 June 2016 and 30 September 2016 respectively. Investment property under construction and inventory properties classified under non-current assets relate to development costs incurred by the Capital City Group prior to the sale of Units and completion of Project Capital City;

(b) deferred expenditure relating to sales agent commission and legal costs for the sale of Project Capital City's Units are also classified under non-current assets and are recognised in the profit and loss based on the construction progress of Project Capital City instead of being first transferred to current assets; and

(c) deferred revenue which represents the excess amount of what the Capital City Group has billed in advance to purchasers of Units in Project Capital City vis-à-vis the amount that was recognised as revenue in the income statement for the relevant financial period.

In assessing whether the Capital City Group has sufficient working capital as at the date of lodgement of this Circular for its present requirements and for at least 12 months after Completion, the New Board has considered, *inter alia*, the following key factors:

(a) the Capital City Group's revenue grew from approximately RM1.9 million in FY2014 to RM81.6 million in FY2016. Accordingly, the negative working capital position of the Capital City Group was not due to financial instability or poor operational performance;

(b) the Capital City Group has generated positive operating cash flows amounting to approximately RM130.3 million, RM12.0 million, RM42.5 million and RM14.8 million as at 30 June 2014, 30 June 2015, 30 June 2016 and 30 September 2016 respectively;

(c) the Capital City Group has also been able to meet its current liabilities as and when they fall due with the use of sales proceeds which allows the Capital City Group to appropriately time the payment of its purchases and the collection of trade receivables from its customers. As at the Latest Practicable Date, the Capital City Group has cash and bank balances and unpledged fixed deposits of approximately RM22.4 million;

(d) the Capital City Group's current liabilities mainly comprised deferred revenue of approximately RM130.1 million, RM157.7 million and RM156.2 million, representing approximately 66.8%, 58.8% and 49.0% of the total current liabilities as at 30 June 2015, 30 June 2016 and 30 September 2016 respectively. Deferred revenue comprises advance progress billings in respect of the Units sold by the Capital City Group and does not constitute an actual cash or payable obligation on the Capital City Group. Such deferred revenue will be recognised as revenue over the next 12 months based on the construction progress of Project Capital City; and

(e) since incorporation, the Capital City Group had relied on minimal external banking and/or credit facilities from financial institutions and the Capital City Group has not defaulted on any loans and/or interest repayment obligations and its bankers have not recalled the credit facilities extended. Save for two (2) existing hire purchase credit facilities amounting to approximately RM0.3 million and a banker's guarantee provided to CCP for RM30,800 as at the date of this Circular and as disclosed in Section 19 entitled "Capitalisation and Indebtedness" of this Circular, the Capital City Group does not have any banking and/or credit facilities with any financial institutions.

Based on the foregoing, the New Board believes that the Enlarged Group would be able to obtain additional borrowings from financial institutions should there be a need to supplement existing internal resources.

20.2 The Enlarged Group

Based on the unaudited pro forma combined financial information of the Enlarged Group, the Enlarged Group recorded negative working capital of approximately RM60.6 million, RM41.4 million, RM62.8 million and RM95.8 million as at 30 June 2014, 30 June 2015, 30 June 2016 and 30 September 2016 respectively. The negative working capital is mainly attributable to the Capital City Group's business and accounting policies as described above.

Taking into account the foregoing, the New Board is of the reasonable opinion that, after having made due and careful enquiry and after taking into account the existing bank and cash balances and existing banking facilities of the Enlarged Group, the working capital available to the Enlarged Group is sufficient for present requirements and for at least 12 months after Completion.

The Sponsor and Financial Adviser is of the reasonable opinion that, after having made due and careful enquiry and after taking into account the existing bank and cash balances and existing banking facilities of the Enlarged Group, the working capital available to the Enlarged Group is sufficient for present requirements and for at least 12 months after Completion.

21. OVERVIEW OF THE JOHOR REGION, MALAYSIA

The information presented in this section has been extracted, where relevant, from sources believed by the Capital City Group Directors to be accurate and relevant. Information from external sources, including various government publications and industry reports, have not been independently verified by the Directors, Capital City Group Directors, the Proposed Directors, the Vendors and the Sponsor, Financial Adviser and Placement Agent or any other party, and their and the Capital City Group's respective officers, agents and employees.

This information may not be consistent with other information compiled within or outside Singapore.

None of the Directors, Capital City Group Directors, the Proposed Directors, the Vendors and the Sponsor, Financial Adviser and Placement Agent or any other party, and their and the Capital City Group's respective officers, agents and employees, make any representation as to the accuracy or completeness of such data or any assumptions relied upon thereon. Please refer to the section entitled "Cautionary Notes Regarding Forward-Looking Statements" of this Circular.

21.1 Background

The Capital City Group's current operations and sole ongoing project, Project Capital City, is based in Johor Bahru, the state capital of the state of Johor. Johor is the second most populous state in Peninsula Malaysia.

In 2006, the following three (3) masterplan reports were announced[(1)]:

- The 9th Malaysia Plan (RMK9);
- Third Industrial Master Plan; and
- Comprehensive Development Plan for South Johor Economic Region or Wilayah Pembangunan Iskandar ("**Comprehensive Development Plan**").

Since then, the 10th Malaysia Plan (RMK10) and the 11th Malaysia Plan (RMK11) have been announced in 2010 and 2016 respectively. These masterplans are expected to bring about economic development and growth in the state of Johor and the whole of Malaysia. In particular, the Comprehensive Development Plan is envisaged to transform Johor into a region providing world class infrastructure and quality of life and environment.

21.2 Transportation

As the southernmost state in Peninsula Malaysia, Johor is one of the main gateways into the rest of Malaysia, and is served by significant and well-connected road, rail, air and sea networks including the following:

(a) Road Networks

The existing Pasir Gudang Highway is a major trunk road of Johor, and starts at Tampoi, Johor Bahru. An RM600 million project will see the existing highway expanded to a six-lane expressway. As part of the project, existing roads will be upgraded and accessibility to all parts of Johor will be improved.(1)

The Eastern Dispersal Link is an eight (8) kilometres long expressway that connects the end of the North-South Expressway at Pandan Interchange to the CIQ in the city centre. It is expected to significantly reduce travelling time and ease traffic congestion especially Jalan Tebrau and Pasir Gudang Highway, thereby accelerating the development of new development centres along the route and spur economic opportunities for businesses in the vicinity of the highway, enhancing the economic development of Johor.(2)

(b) Rail networks

On 19 July 2016, Singapore and Malaysia signed a memorandum of understanding on the Singapore-Malaysia High-Speed Rail project ("**HSR**") which aims to facilitate travel between Singapore and Kuala Lumpur in Malaysia. The HSR will have several stops in the state of Johor, including in Muar, Batu Pahat and Iskandar Puteri.(3)

(c) Air networks

The Senai International Airport is an international airport located in the Kulai District of Johor, approximately 32 kilometres north-west of the city centre. It enjoys excellent connectivity to port, rail and highway infrastructure.(1)

(d) Sea networks

The Pelabuhan Tanjung Pelepas port is located at the intersection of east-west international trade lines, and enjoys air, road and sea inter-modal linkages.(4)

The Johor Port is located in the heart of the Pasir Gudang Industrial Estate, and is well-connected to significant commercial industrial centres as well as other ports and regional countries.(5)

On 8 May 2013, the Port of Puteri Harbour Ferry Terminal commenced its operations and provides an alternative point of entry by international tourists into Johor and Malaysia in general. Its opening is expected to boost tourism in the surrounding area.(6)

21.3 Infrastructure

The state of Johor has experienced tremendous growth in diverse sectors, including the following:

(a) Entertainment and lifestyle

A variety of entertainment and lifestyle offerings has attracted local and foreign tourists alike. Key tourism highlights include (i) theme parks such as Legoland Malaysia, Angry Birds Activity Park and the Austin Water and Adventure Park; (ii) golf clubs such as the Starhill Golf and Country Club and the Austin Heights Golf Resort; and (iii) retail outlets such as the Johor Premium Outlets.(7)

(b) Medical and Healthcare

Being strategically located near Singapore and Malaysia, the region touted to be the next medical destination for patients seeking quality and cost-effective healthcare.(7) Private hospitals in Johor include Gleneagles Medini Hospital and the upcoming Thomson Medical Centre.

(c) Education

Education hubs such as Educity and Bandar Seri Alam are home to several prominent higher education institutions such as the Newcastle University Medicine Malaysia, University of Southampton Malaysia Campus and the Management Development Institute of Singapore.(7)

(d) Logistics

As a transportation hub served by well-linked road, rail, air and sea networks, the state of Johor offers proximity to Indonesia and Singapore, while offering significant cost advantages. With the completion of the HSR, it is envisaged that this will spur future and better economic linkages in the tourism, healthcare, education and business services with Singapore.(7)

Notes:

(1) The information is derived from the website of the Johor State Investment Centre ("**JSIC**") at http://jsic.com.my/ accessed on 23 March 2017.

JSIC has not consented to the inclusion of this statement, table, information or compilation, as the case may be, for the purposes of Section 249 of the SFA, and is therefore not liable for this statement under Sections 253 and 254 of the SFA. While the Directors, Capital City Group Directors, the Proposed Directors, the Vendors and the Sponsor, Financial Advisor and Placement Agent have taken reasonable actions to ensure that the information has been reproduced in its proper form and context, and that the information is extracted accurately and fairly, none of the Directors, Capital City Group Directors, the Proposed Directors, the Vendors and the Sponsor, Financial Advisor and Placement Agent or any other party, and their and the Capital City Group's respective officers, agents and employees have conducted an independent review, or verified the accuracy of the contents, of the above information.

(2) The information is derived from the website of the Eastern Dispersal Link ("**EDL**") at http://www.edl.com.my/ accessed on 23 March 2017.

EDL has not consented to the inclusion of this statement, table, information or compilation, as the case may be, for the purposes of Section 249 of the SFA, and is therefore not liable for this statement under Sections 253 and 254 of the SFA. While the Directors, Capital City Group Directors, the Proposed Directors, the Vendors and the Sponsor, Financial Advisor and Placement Agent have taken reasonable actions to ensure that the information has been reproduced in its proper form and context, and that the information is extracted accurately and fairly, none of the Directors, Capital City Group Directors, the Proposed Directors, the Vendors and the Sponsor, Financial Advisor and Placement Agent or any other party, and their and the Capital City Group's respective officers, agents and employees have conducted an independent review, or verified the accuracy of the contents, of the above information.

(3) The information is derived from the website of the Land Public Transport Commission (Surunhanjaya Pengangkutan Awam Darat) ("**SPAD**") at http://www.spad.gov.my/ accessed on 23 March 2017.

SPAD has not consented to the inclusion of this statement, table, information or compilation, as the case may be, for the purposes of Section 249 of the SFA, and is therefore not liable for this statement under Sections 253 and 254 of the SFA. While the Directors, Capital City Group Directors, the Proposed Directors, the Vendors and the Sponsor, Financial Advisor and Placement Agent have taken reasonable actions to ensure that the information has been reproduced in its proper form and context, and that the information is extracted accurately and fairly, none of the Directors, Capital City Group Directors, the Proposed Directors, the Vendors and the Sponsor, Financial Advisor and Placement Agent or any other party, and their and the Capital City Group's respective officers, agents and employees have conducted an independent review, or verified the accuracy of the contents, of the above information.

(4) The information is derived from the website of Pelabuhan Tanjung Pelepas Sdn. Bhd. ("**PTP**") at http://www.ptp.com.my/ accessed on 23 March 2017.

PTP has not consented to the inclusion of this statement, table, information or compilation, as the case may be, for the purposes of Section 249 of the SFA, and is therefore not liable for this statement under Sections 253 and 254 of the SFA. While the Directors, Capital City Group Directors, the Proposed Directors, the Vendors and the Sponsor, Financial Advisor and Placement Agent have taken reasonable actions to ensure that the information has been reproduced in its proper form and context, and that the information is extracted accurately and fairly, none of the Directors, Capital City Group Directors, the Proposed Directors, the Vendors and the Sponsor, Financial Advisor and Placement Agent or any other party, and their and the Capital City Group's respective officers, agents and employees have conducted an independent review, or verified the accuracy of the contents, of the above information.

(5) The information is derived from the website of Johor Port Berhad ("**Johor Port**") at http://www.johorport.com.my/ accessed on 23 March 2017.

Johor Port has not consented to the inclusion of this statement, table, information or compilation, as the case may be, for the purposes of Section 249 of the SFA, and is therefore not liable for this statement under Sections 253 and 254 of the SFA. While the Directors, Capital City Group Directors, the Proposed Directors, the Vendors and the Sponsor, Financial Advisor and Placement Agent have taken reasonable actions to ensure that the information has been reproduced in its proper form and context, and that the information is extracted accurately and fairly, none of the Directors, Capital City Group Directors, the Proposed Directors, the Vendors and the Sponsor, Financial Advisor and Placement Agent or any other party, and their and the Capital City Group's respective officers, agents and employees have conducted an independent review, or verified the accuracy of the contents, of the above information.

(6) The information is derived from the website of Puteri Harbour Marina at http://www.puteriharbourmarina.com/ accessed on 23 March 2017.

Puteri Harbour Marina has not consented to the inclusion of this statement, table, information or compilation, as the case may be, for the purposes of Section 249 of the SFA, and is therefore not liable for this statement under Sections 253 and 254 of the SFA. While the Directors, Capital City Group Directors, the Proposed Directors, the Vendors and the Sponsor, Financial Advisor and Placement Agent have taken reasonable actions to ensure that the information has been reproduced in its proper form and context, and that the information is extracted accurately and fairly, none of the Directors, Capital City Group Directors, the Proposed Directors, the Vendors and the Sponsor, Financial Advisor and Placement Agent or any other party, and their and the Capital City Group's respective officers, agents and employees have conducted an independent review, or verified the accuracy of the contents, of the above information.

(7) The information is derived from the website of Iskandar Regional Development Authority at http://iskandarmalaysia.com.my/ accessed on 23 March 2017.

The Iskandar Regional Development Authority has not consented to the inclusion of this statement, table, information or compilation, as the case may be, for the purposes of Section 249 of the SFA, and is therefore not liable for this statement under Sections 253 and 254 of the SFA. While the Directors, Capital City Group Directors, the Proposed Directors, the Vendors and the Sponsor, Financial Advisor and Placement Agent have taken reasonable actions to ensure that the information has been reproduced in its proper form and context, and that the information is extracted accurately and fairly, none of the Directors, Capital City Group Directors, the Proposed Directors, the Vendors and the Sponsor, Financial Advisor and Placement Agent or any other party, and their and the Capital City Group's respective officers, agents and employees have conducted an independent review, or verified the accuracy of the contents, of the above information.

22. PROSPECTS, TREND INFORMATION, BUSINESS STRATEGIES AND FUTURE PLANS

22.1 Prospects

The following discussion about the Capital City Group's prospects includes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those that may be projected or implied in these forward-looking statements. Please refer to the section entitled "Cautionary Notes on Forward-Looking Statements" of this Circular.

All the information presented in this section are extracted, where relevant, from sources believed by the Capital City Group Directors to be accurate and relevant. Information from external sources, including various government publications and industry reports, have not been independently verified by the Directors, the Capital City Group Directors, the Proposed Directors, the Vendors and the Sponsor, Financial Adviser and Placement Agent or any other party, and their and the Capital City Group's respective officers, agents and employees.

The Capital City Group Directors are positive about the business of the Capital City Group due to the following reasons:

(a) Prospects in Malaysia

The Capital City Group has a strong presence in the state of Johor, mainly attributable to the success of Project Capital City and the securing of Project Austin. Although a relatively new player to the industry, the Capital City Group has established itself as a respected and reputable property developer in Johor. The Capital City Group has also established an initial presence in the state of Perak as a result of the securing of Project Sitiawan Wellness Hub. Coupled with the economic, political and legal stability in Malaysia, the Capital City Group Directors anticipate that the Capital City Group will be able to secure further opportunities for joint ventures with landowners in Johor and other regions in Malaysia.

(b) Prospects in the Southeast Asia region

Despite a high rate of population and economic growth, the Southeast Asian region as a whole remains relatively undeveloped in terms of integrated property development projects, which the Capital City Group has achieved success in. The Capital City Group Directors anticipate that factors such as urbanisation, changes in

foreign ownership rules and demographic trends will lead to an increase in demand for new developments and in connection therewith create opportunities for joint ventures with local landowners to capitalise on such potential growth in the region.

22.2 Trend information

The Capital City Group Directors have observed the following trends on revenue and operations of the Capital City Group for FY2017:

(a) The Capital City Group Directors expect that the demand for the Capital City Group's integrated property development projects will continue to trend upwards, due to a combination of (i) a surplus of opportunities for joint ventures with landowners to jointly develop their land assets; and (ii) the Capital City Group's niche business model and competitive strengths.

(b) The Capital City Group Directors expect that the increase in operational overheads, fees and ancillary costs of the third party contractors, consultants and other professionals which the Capital City Group engages in connection with its property development projects will not be significant.

(c) The demography of purchasers has changed and the Capital City Group Directors expect that young, urban, middle class purchasers seeking new, innovative and quality offerings will lead to an increase in the demand of the property development projects that the Capital City Group undertakes.

Save as disclosed above and in the sections entitled "Risk Factors", "Management's Discussion and Analysis of Results of Operations and Financial Position of the Capital City Group" and "Prospects, Trend Information, Business Strategies and Future Plans" of this Circular, and barring any unforeseen circumstances, the Capital City Group Directors are not aware of any other known recent trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Capital City Group's revenue, profitability, liquidity or capital resources, or that would cause financial information disclosed in this Circular to be not necessarily indicative of the Capital City Group's future operating results or financial position. Please also refer to the section entitled "Cautionary Notes Regarding Forward-Looking Statements" of this Circular.

22.3 Order book

Due to the nature of its business, the Capital City Group does not have any order book.

Notwithstanding the above, as at the Latest Practicable Date, in addition to its existing uncompleted property development projects namely, Project Capital City, Project Austin and Project Sitiawan Wellness Hub, the Capital City Group has ongoing negotiations with potential partners to add to its integrated property development projects pipeline.

22.4 Business strategies and future plans

(a) Completion of Project Capital City and commencement of Project Austin and Project Sitiawan Wellness Hub

The Capital City Group intends to focus on ensuring that Project Capital City is completed by the scheduled completion date of 2020. In addition, the Capital City Group will continue to embark on intensive sales and marketing campaigns to bolster

the sales of the Units in Project Capital City and to promote Project Capital City as a one-stop recreational, retail and hospitality destination. Such sales and marketing strategies will include promotional roadshows, print advertisements, in collaboration with other professional parties.

In addition, the Capital City Group has commenced preparations for the initial stages of development of its newest integrated development property projects, Project Austin and Project Sitiawan Wellness Hub.

(b) Expand and diversify the Capital City Group's property development projects offerings through, *inter alia*, joint ventures and strategic alliances with local landowners

The Capital City Group intends to leverage on its experience from undertaking existing integrated property development projects such as Project Capital City to expand into developing other property segments such as residential and industrial properties. The diversification of its property development projects portfolio will mitigate the risk of over reliance on undertaking development in only one (1) property segment.

In addition to growing organically, the Capital City Group may consider expanding its existing Business by entering into more joint ventures or strategic alliances with local landowners who create synergies with its Business. Joint ventures or strategic alliances with local landowners as well as enhanced business relationships with contractors, consultants and professionals allow the Capital City Group to leverage on the strengths of such partners to complement the Capital City Group's own strengths and experiences and to undertake property development projects beyond the scale that it would otherwise have been limited to given its resources.

As at the Latest Practicable Date, the Capital City Group has ongoing negotiations with potential partners to undertake additional integrated property development projects. The Company will carefully and extensively review and evaluate such projects and any further opportunities as and when such opportunities arise, in order to determine whether such transactions will benefit the Capital City Group's business.

(c) Realise synergies between the Business and the Existing Business

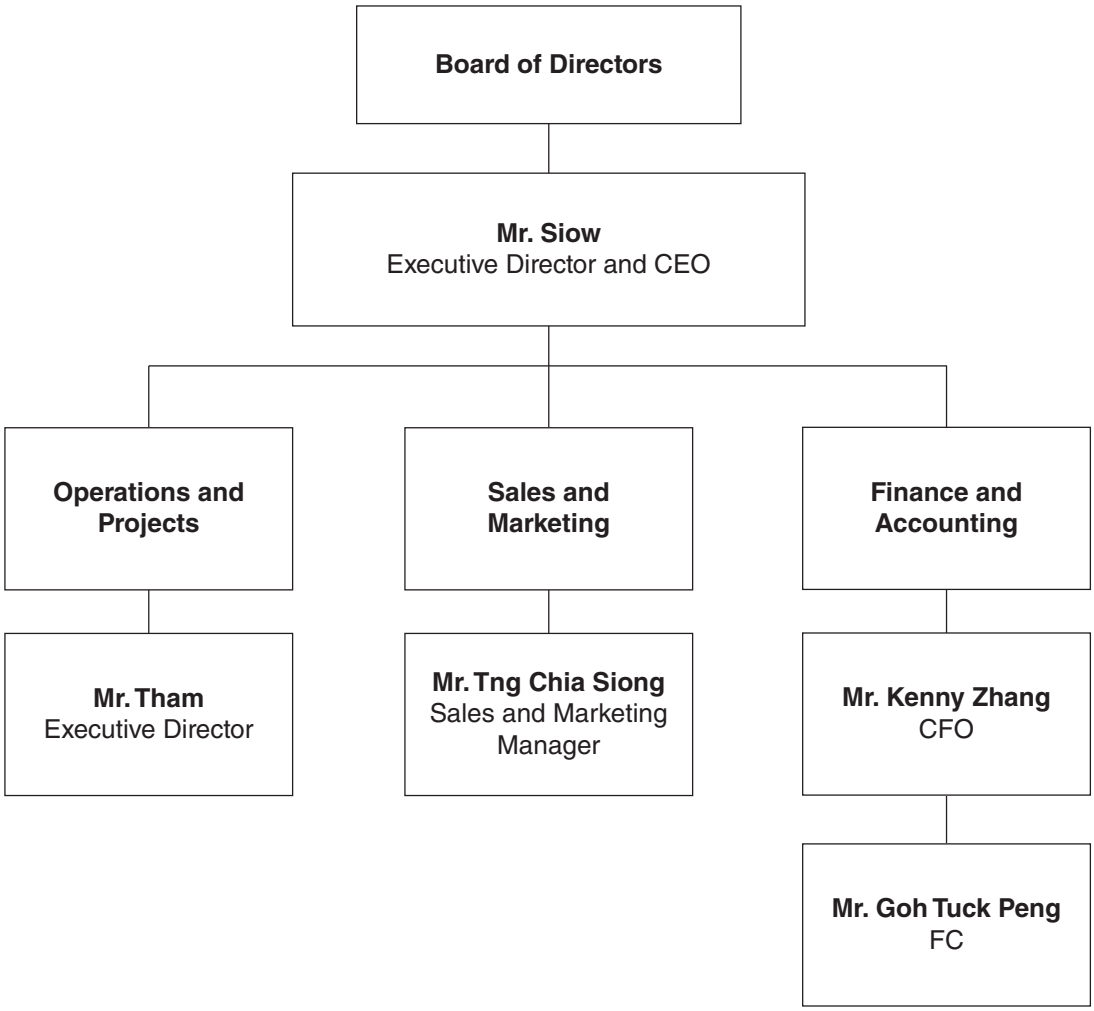
As stated in Section 2.5 entitled "Rationale for the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition" of this Circular, the Board is of the view that the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition will provide the opportunity for the Company to venture into the growing property development market in Malaysia, and the Existing Business will benefit from the current and future projects of the Capital City Group that will provide many opportunities for the Company to supply its unique high quality marble products to such projects that the Capital City Group undertakes.

Following the completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition and accordingly the integration of the value chain of the Enlarged Group, the Capital City Group will be able to lower its marble supply costs whilst ensuring quality and timeliness of delivery. This will also reduce the Capital City Group's reliance on third-party suppliers.

23. PROPOSED DIRECTORS, EXECUTIVE OFFICERS AND RELATED EMPLOYEES

23.1 Management reporting structure

The Company proposes to constitute a new board of directors and appoint a new senior management team following Completion. Accordingly, following Completion, the proposed management reporting structure of the Company will be as follows:



23.2 Proposed Directors

The following Proposed Directors will be entrusted with the responsibility for the overall management and direction of the Enlarged Group and their particulars are set out below:

Name	Age	Address	Proposed position in the Company
Mr. Dominic Tan	73	20 Kramat Lane, United House #04-12, Singapore 228773	Non-Executive Chairman and Independent Director
Mr. Siow	54	01-02-01 & 02, Pangsapuri Jentayu Jalan Tampoi, Kawasan Perindustrian Tampoi Johor Bahru, 81200 Johor, Malaysia	Executive Director and CEO
Mr. Tham	65	01-02-01 & 02, Pangsapuri Jentayu Jalan Tampoi, Kawasan Perindustrian Tampoi Johor Bahru, 81200 Johor, Malaysia	Executive Director
Mr. Aw Eng Hai	49	24 Raffles Place, #07-03 Clifford Centre, Singapore 048621	Independent Director
Mr. Victor Lye	54	143 Cecil Street, #12-00 GB Building, Singapore 069542	Independent Director

Upon Completion, Dr. Loh Chang Kaan will step down as Executive Director and resign as CEO of the Company and resign from the boards and as the legal representative (where applicable) of the Company and its subsidiaries (namely, Terratech Resources Pte. Ltd., CEP Resources Entity Sdn. Bhd., Qingdao Terratech Resources Co., Ltd. and Shaanxi Hengyu Architectural Interior Engineering Co., Ltd.). Nonetheless, Dr. Loh Chang Kaan will remain as a full-time employee of the Enlarged Group and will assist to oversee the Existing Business. He will continue to work with the existing personnel to manage all aspects of the operations in relation to the Existing Business.

As at the Latest Practicable Date, none of the Proposed Independent Directors sits on the board of any of the Capital City Group Companies.

None of the Proposed Directors are nominees of the Controlling Shareholders of any of the Capital City Group Companies, namely Mr. Siow, Mr. Colin Tan and Mr. Edwin Tan.

(a) Qualifications and working experience of the Proposed Directors

Information on the business and working experience, education and professional qualifications, if any, and areas of responsibilities of the Proposed Directors are set out below:

Mr. Dominic Tan is proposed to be appointed as the Non-Executive Chairman and an independent director of the Company upon completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition.

Mr. Dominic Tan has over 40 years of experience in business development, corporate management and management of large civil engineering, building, industrial and environmental engineering projects. He started his career as a Trainee Quantity Surveyor with Gammon (Malaya) Limited in 1966 and progressed to become a Project Planner and Assistant Project Manager of Gammon S.E.A. Berhad at its head office in Singapore until 1973. Thereafter, he joined Thiess International (S) Ltd as Deputy Project Manager from 1973 to 1976. He was General Manager of Rotary Piling Pte. Ltd. from 1976 to 1979, and subsequently joined Gammon (Hong Kong) Ltd in 1980 as its Commercial Manager, where he was responsible for establishing its Singapore subsidiary, Gammon Pte. Ltd. Mr. Dominic Tan was the Executive Director of Gammon Pte. Ltd. from 1980 to 1991 and left thereafter to join L&M International Pte Ltd as its Commercial Director until 1993.

From 1993 to 2000, Mr. Dominic Tan was the General Manager of United Engineers (Singapore) Private Limited (now known as UES Holdings Pte. Ltd.) ("**UES**"). From 2001 to 2007, he served as UES' Managing Director, spearheading the group's regionalisation drive and business activities in Singapore, Malaysia, Brunei, Indonesia, Vietnam and the Middle East.

Mr. Dominic Tan is also an independent non-executive director of Yongnam Holdings Limited and Sitra Holdings (International) Limited, which are listed on the Mainboard and Catalist respectively of the SGX-ST.

Mr. Dominic Tan has been a full member of the Singapore Institute of Directors since 2002 and a Technician of the Institute of Building (Tn.IOB), United Kingdom, since 1969.

Mr. Siow is proposed to be appointed as the executive director and CEO of the Company upon completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition. He is presently the director of the Capital City Group Companies.

Prior to establishing CCP in June 2013, Mr. Siow was involved in the management of the development of a wide range of property development projects including integrated residential, industrial, commercial and retail properties in Malacca, Selangor, Johor, and Hong Kong since 2008.

Mr. Siow started his career as an architect in Devine Architects Inc. in Kansas City, United States of America ("**USA**") in 1986. He then joined Gould Evans Associates in Kansas City, USA as an architect in 1989 and left in 1991 to join Singapore Regional Development Consortium Architect as Senior Architect and subsequently was promoted to Associate.

In 1992, Mr. Siow started Regional Development Consortium Architect ("**RDCA**") as a sole proprietorship and developed it into an established architectural business with offices in Johor Bahru, Kuala Lumpur and Malacca. In early 2012, Mr. Siow transferred the business of RDCA to RDC Arkitek and passed on the management of the architectural business to new partners. RDCA and RDC Arkitek have won notable industry accolades, including the Top 10 Market Leader in Architecture awarded by BCI Asia for seven (7) years in 2005, 2009, 2010, 2011, 2013, 2014 and 2015. Mr. Siow discontinued all business activities under RDCA and ceased to be involved in the executive management of RDC Arkitek from 2012, and is currently its non-executive director and shareholder.

Mr. Siow graduated from the University of Kansas in the USA with a Bachelor of Architecture in 1986. He is a member of the Pertubuhan Arkitek Malaysia and the American Institute of Architects. He is registered as an Architect of the National Council of Architectural Registration Boards of the State of Missouri, USA, The Missouri Board for Architects, Professional Engineers and Land Surveyors and Lembaga Arkitek Malaysia.

Mr. Tham is proposed to be appointed as the executive director of the Company upon completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition. He is presently the director of REGL, FSVL, CCV and CCF.

Mr. Tham has over 30 years of experience in the engineering and construction sector. He began his career in 1979 at TechnoCon Engineers as a Design Engineer and was promoted to Director and Professional Engineer in 1983. In 1986, Mr. Tham left to join Sembcorp Engineers and Constructors Pte Ltd and held various positions in his 30 years there from 1986 to 2006, including his role as Executive Vice President from 2002 to 2006. From 2006 to 2009, he was responsible for various departments as Director at Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. ("**Koh Brothers**"), and was appointed the Executive Director of Koh Brothers from 2009 to 2012. In 2013, Mr. Tham served as advisor to Koh Brothers.

Mr. Tham graduated with a Bachelor of Engineering (Mechanical) from the National University of Singapore in 1979. He was a Professional Engineer of the Republic of Singapore, Professional Engineers Board from 1983 to 2014. Mr. Tham has been a member of The Institution of Engineers Singapore since 1983 and its Senior Member since 2005.

Mr. Aw Eng Hai was appointed as the Lead Independent Director of the Company on 18 June 2014. He is currently the chairman of the Audit Committee and the Nominating Committee and a member of the Remuneration Committee, and will remain as an independent director of the Company upon Completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition. Mr. Aw Eng Hai has also been an independent director of Tritech since September 2009.

Mr. Aw Eng Hai is a public accountant and a partner of Foo Kon Tan LLP (formerly known as Foo Kon Tan Grant Thornton LLP) where he is in charge of the various departments providing specialist advisory services. Mr. Aw Eng Hai has more than 13 years of experience providing business advisory services to companies. Prior to

joining the commercial sector, Mr. Aw Eng Hai was an investigator in the Commercial Affairs Department where he was involved in complex commercial fraud investigations.

Mr. Aw Eng Hai graduated with a Bachelor of Business Administration (Honours) from the National University of Singapore in 1992 and is a practising member of the Institute of Singapore Chartered Accountants, a fellow of the Association of Chartered Certified Accountants, a fellow of Insolvency Practitioners Association of Singapore and a member of INSOL International.

Mr. Victor Lye is proposed to be appointed as an independent director of the Company upon completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition.

Mr. Victor Lye began his career with the Singapore government in the Singapore Administrative Service, serving as Assistant Director of the Ministry of Trade and Industry from 1987 to 1990. Thereafter, he held private sector leadership positions at various companies in the institutional equities, corporate advisory and insurance industries. In April 2016, he completed the trade sale of Shenton Insurance Pte. Ltd., where he was Chief Executive, and was subsequently appointed to a senior management position at an investment holding company related to the buyer.

Mr. Victor Lye was awarded the Public Service Medal (Pingat Bakti Masyarakat) in 2009 and the Public Service Star (Bintang Bakti Masyarakyat) in 2016 by the President of the Republic of Singapore.

Mr. Victor Lye graduated with a Bachelor of Economics (First Class Honours) from the University of Adelaide in 1986. He has been a Certified Financial Analyst of the Institute of Chartered Financial Analysts since 1993 and a Certified Financial Planner of the Financial Planning Association of Singapore since 2004.

(b) Present and past directorships of the Proposed Directors

Save as disclosed below and excluding the proposed directorships in the Company, none of the Proposed Directors currently holds or has held any directorships in the last five (5) years preceding the date of this Circular.

Name	Present directorships	Past directorships
Mr. Dominic Tan	*Enlarged Group Companies* –	*Enlarged Group Companies* –
	Other companies Sitra Holdings (International) Limited Yongnam Holdings Limited	*Other companies* –

Name	Present directorships	Past directorships
Mr. Siow	*Enlarged Group Companies* AVL CCF CCMPL CCP CCV FSVL REGL	*Enlarged Group Companies* –
	Other companies AMI Architects Sdn. Bhd. Bestari Bestmart Sdn. Bhd. Bintang Simfoni Sdn. Bhd. Eco Associates Sdn. Bhd. Eco Tree Hotel Sdn. Bhd. Express Inn Sdn. Bhd. RDC Arkitek Sdn. Bhd. RDC Arkitek (KL) Sdn. Bhd. RDCA Holdings Sdn. Bhd. Revenue Sprint Sdn. Bhd. Ruby Resources Sdn. Bhd. Sri Pelanji Sdn. Bhd. Yoleko Sdn. Bhd. Zillion Enrich Sdn. Bhd.	*Other companies* CCH Hospitality Sdn. Bhd. CCRM Management Sdn. Bhd. Dillons Pharmacy Sdn. Bhd. Eco Eight Sdn. Bhd. Eco One Sdn. Bhd. Ecobina Sdn. Bhd. H Guys Restaurant Sdn. Bhd. Handy Goals Development Sdn. Bhd. Hup Heng Blossom Sdn. Bhd. Market Hall Management Sdn. Bhd. Market Hall Sdn. Bhd. Nihon Properties Sdn. Bhd. Pergola Hotel Sdn. Bhd. Prisma Serimaju Sdn. Bhd. R-Concept Sdn. Bhd. RDCA Sdn. Bhd.(1) Sun Plus Development Sdn. Bhd. Sunbuild Development Sdn. Bhd. Tafar Construction Sdn. Bhd. Tanah Wajib Sdn. Bhd. Waras Ikhlas Sdn. Bhd.
Mr. Tham	*Enlarged Group Companies* CCF CCV FSVL REGL	*Enlarged Group Companies* –
	Other companies –	*Other companies* Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd.

Name	Present directorships	Past directorships
Mr. Aw Eng Hai	*Enlarged Group Companies* Qingdao Terratech Resources Co., Ltd.	*Enlarged Group Companies* –
	Other companies FKT International Foo Kon Tan Advisory Services Pte. Ltd. Foo Kon Tan LLP Foo Kon Tan Transaction Services Pte. Ltd. Tritech (Qingdao) Membrane Industry Co., Ltd. Tritech Group Limited	*Other companies* –
Mr. Victor Lye	*Enlarged Group Companies* –	*Enlarged Group Companies* –
	Other companies Chinthe Asia LLP Singapore Chinese Orchestra Company Limited WMG Management Pte. Ltd.	*Other companies* FWD Singapore Pte. Ltd. Greatearth Pte. Ltd. Lion Land Ventures One Pte. Ltd. Medilink-Global TPA Pte. Ltd. Superior Multi-Packaging Limited

Note:

(1) Struck off as at 11 May 2012.

(c) Experience and training of the Proposed Directors

Pursuant to Rule 406(3) of the Catalist Rules, Mr. Aw Eng Hai, Mr. Dominic Tan and Mr. Victor Lye have relevant experience as directors of public listed companies in Singapore, and are familiar with the roles and responsibilities of a director of a public listed company in Singapore.

Mr. Siow and Mr. Tham do not have experience as a director of a public listed company in Singapore and have undertaken the relevant training in Singapore to familiarise themselves with the roles and responsibilities of a director of a public listed company in Singapore.

(d) Arrangement or understanding of the Proposed Directors

As at the Latest Practicable Date, none of the Proposed Directors has any arrangement or understanding with any of the Substantial Shareholders, customers or suppliers of the Enlarged Group or other person pursuant to which the Proposed Directors are or will be appointed.

23.3 Proposed Executive Officers

After Completion, the Company will have a new senior management team responsible for the various functions of the Enlarged Group. The particulars of these Proposed Executive Officers are as follows:

Name	Age	Address	Proposed position in the Company
Mr. Kenny Zhang	42	01-02-01 & 02, Pangsapuri Jentayu Jalan Tampoi, Kawasan Perindustrian Tampoi Johor Bahru, 81200 Johor, Malaysia	CFO
Mr. Goh Tuck Peng	46	01-02-01 & 02, Pangsapuri Jentayu Jalan Tampoi, Kawasan Perindustrian Tampoi Johor Bahru, 81200 Johor, Malaysia	FC
Mr. Tng Chia Siong	36	01-02-01 & 02, Pangsapuri Jentayu Jalan Tampoi, Kawasan Perindustrian Tampoi Johor Bahru, 81200 Johor, Malaysia	Sales and Marketing Manager

(a) Qualifications and working experience of the Proposed Executive Officers

Information on the business and working experience, education and professional qualifications, if any, and areas of responsibilities of the Proposed Executive Officers are set out below:

Mr. Kenny Zhang will be appointed as the CFO of the Company after completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, and will be responsible for overseeing the Enlarged Group's financial and accounting functions and other responsibilities such as liaising with the investment community, evaluating and driving capital market fund-raising exercises and reviewing potential investments as well as mergers and acquisitions opportunities. Mr. Kenny Zhang was appointed as the CFO of the Capital City Group from 1 March 2017.

Prior to joining the Capital City Group, Mr. Kenny Zhang was the Financial Controller of Kreuz Holdings Limited ("**Kreuz**") from May 2010 to February 2017. During his time at Kreuz, he had led the initial public offering of the company, its transfer from Catalist to the Main Board of the SGX-ST, its subsequent acquisition by a new shareholder and the privatisation of Kreuz. Between June 2001 and May 2010, Mr. Kenny Zhang had gained 10 years of audit experience, with his last seven (7)

years at Deloitte and Touche LLP where he was responsible for leading audit teams in carrying out audits of various companies, including companies listed on the Main Board of the SGX-ST.

Mr. Kenny Zhang obtained his Bachelor of Science in Applied Accounting from the Oxford Brookes University in 2002. He has been a Fellow of the Association of Chartered Certified Accountants since September 2009 and is a member of the Institute of Singapore Chartered Accountants.

Mr. Goh Tuck Peng will be appointed as the FC of the Company after completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, and will be responsible for the Enlarged Group's financial and accounting matters and its compliance with financial reporting and regulatory requirements. Mr. Goh Tuck Peng is presently employed by the Capital City Group, and has been involved in the preparation process for the Proposed Transactions.

Mr. Goh Tuck Peng has more than 20 years of experience in dealing with financial and accounting matters of companies and in ensuring compliance with financial reporting and regulatory requirements. He started his career in February 2003 with Qianhu Corporation Limited, Guangzhou, as a finance and administrative manager, until February 2005. From March 2005 to May 2007, Mr. Goh Tuck Peng was the group financial manager of Shanghai Asia Holdings Limited. Thereafter, Mr. Goh Tuck Peng assumed the position of CFO of Zhongguo Pengjie Fabrics Limited from July 2007 to September 2007 and Zhejiang Red Sun Wool Technology Ltd from January 2008 to January 2009. He was the Financial Controller of CCM Group Limited from December 2009 to June 2011 and was subsequently promoted as its CFO in January 2012, a post which he held until February 2014. Prior to joining the Capital City Group in July 2016, Mr. Goh Tuck Peng was the Financial Controller of Huationg Global Limited from April 2014 to May 2016.

Mr. Goh Tuck Peng holds an Affiliate Certificate from the Association of Chartered Certified Accountants and has been a member of the Institute of Singapore Chartered Accountants since 2001.

Mr. Tng Chia Siong will be appointed as the Sales and Marketing Manager of the Company after completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, and will be responsible for the sales and marketing activities of the property development projects that the Enlarged Group will manage. As Sales and Marketing Manager, he will oversee the development and execution of sales and marketing strategies of the Enlarged Group.

Prior to joining CCP in July 2014, Mr. Tng Chia Siong was a sales and marketing manager at KIP Development Sdn. Bhd., a property development company in Malaysia, where he managed the sales and marketing activities of the company from June 2004 to June 2014.

Mr. Tng Chia Siong obtained his Bachelor of Commerce from the University of Tasmania in 2003 and his Diploma in Commerce from the Kolej Selatan in Malaysia in 2002.

(b) Present and past directorships of the Proposed Executive Officers

None of the Proposed Executive Officers currently holds or has held any directorships in the last five (5) years preceding the date of this Circular.

(c) Arrangement or understanding of the Proposed Executive Officers

As at the Latest Practicable Date, none of the Proposed Executive Officers has any arrangement or understanding with any of the Substantial Shareholders, customers or suppliers of the Enlarged Group or other person pursuant to which the Proposed Executive Officers are or will be appointed.

23.4 Related Employees

As at the Latest Practicable Date, none of the employees of the Enlarged Group are related to the Capital City Group Directors, the Proposed Directors, the Proposed Executive Officers and the Controlling Shareholders of the Company upon Completion (the "**Related Employees**"), and none of the Capital City Group Directors, the Proposed Directors, the Proposed Executive Officers and the Controlling Shareholders of the Company upon Completion are related to each other, by blood or marriage.

Any new employment of Related Employees and the proposed terms of their employment will be subject to the review and approval of the Nominating Committee. The remuneration of the Related Employees is determined on the same basis as those of unrelated employees. The remuneration of Related Employees will be reviewed annually by the Remuneration Committee to ensure that their remuneration packages are in line with the Company's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotions for these Related Employees will also be subject to the review and approval of the Remuneration Committee. In the event that a member of the Remuneration Committee or Nominating Committee is related to the employee under review, he will abstain from the review.

23.5 Service agreements

Save as disclosed below, as at the Latest Practicable Date, there are no existing or proposed service agreements entered or proposed to be entered into between any of the Enlarged Group Company and the Proposed Directors or Proposed Executive Officers which provides for compensation in the form of stock options, pensions, retirement or other similar benefits, or other benefits upon the termination of employment.

Mr. Siow and Mr. Tham

The Company has entered into separate service agreements (collectively, the "**Service Agreements**" and individually, the "**Service Agreement**") with Mr. Siow and Mr. Tham (collectively, the "**Appointees**" and individually, the "**Appointee**") on 29 March 2017, appointing them as executive director and CEO and executive director respectively of the Company and the Service Agreements will take effect on the Completion Date.

The initial term of each Appointee's employment is fixed for three (3) years and shall thereafter continue for such period and on such terms to be agreed between each Appointee and the Company.

Each Service Agreement provides that during the continuance of such agreement, the Appointee shall, among other things, devote their time, attention and abilities to the affairs of the Enlarged Group.

Each Service Agreement may be terminated prior to the expiry of the term in any of the following cases:

(a) if the Appointee becomes bankrupt or makes any arrangement or composition with his creditors generally;

(b) if the Appointee is convicted of any criminal offence (save for an offence under any road traffic legislation for which he is not sentenced to any term of immediate or suspended imprisonment) and sentenced to any term of immediate or suspended imprisonment;

(c) if the Appointee is or may be suffering from a mental disorder;

(d) if the Appointee becomes prohibited by law or any order from any regulatory body or governmental authority from being, or ceases to be, an employee or director of the Company for any reason whatsoever;

(e) if the Appointee ceases to hold the office of director pursuant to the Company's Articles of Association or is disqualified from holding the office of or acting as, a director of any company pursuant to any applicable law, for whatever reason, or the Company is required or requested by any authority (whether governmental or statutory) to terminate the services of the Appointee;

(f) if the Appointee commits any act of criminal breach of trust or dishonesty;

(g) if the Appointee, in the reasonable opinion of the Board, becomes guilty of any wilful misconduct in the discharge of his duties under the Service Agreement; or

(h) if the Appointee, in the reasonable opinion of the Board, breaches any material provision of the Service Agreement.

Each Service Agreement further provides that in the event of termination above, the Appointee shall not be entitled to claim any benefits or compensation for or in respect or by reason of such termination.

Pursuant to the terms of the Service Agreements, the Appointees are entitled to monthly salaries as set out below:

Proposed Director	**Monthly salary (S$)**
Mr. Siow	30,000
Mr. Tham	18,000

Each Appointee shall be entitled to an annual fixed bonus of two (2) months' salary, and an annual variable performance bonus at the discretion of the Board and the Remuneration Committee, the amount of which shall be dependent on, amongst others, the performance of the Appointee and the Enlarged Group for that financial year, provided

always that if the employment is for less than a full financial year of the Company, such performance bonus shall be apportioned in respect of the actual number of days of employment of such Appointee on the basis of a 365-day financial year.

The Service Agreements also provide for, *inter alia*, reimbursement of out-of-pocket expenses, allowances, annual leave, medical benefits and certain restrictive covenants.

Restrictive Covenants under the Service Agreement

Pursuant to their respective Service Agreements, each Appointee shall, during the term of his employment until 12 months after the termination of his employment:

(a) not deal in similar products as the Enlarged Group;

(b) not be engaged or interested in any business similar to or competing with the business of the Enlarged Group;

(c) not have any interest, directly or indirectly, in, and/or provide any assistance, financial technical or otherwise, to, any person or entity to carry on any business which is in competition with the business of the Enlarged Group;

(d) not be a director and/or hold an executive management position in any entity whose business competes with the business of the Enlarged Group;

(e) ensure that no company or business in which he is in the position to control, dominate or influence decision making shall engage in any business similar to or which is in competition with the business of the Enlarged Group, as the Enlarged Group's business may be from time to time;

(f) not solicit any person or corporation who (i) is or has been at any time a customer of the Enlarged Group; (ii) has business dealings with the Enlarged Group; or (iii) is in commercial negotiations with the Enlarged Group with a view to placing business with the Enlarged Group;

(g) not solicit any employee of the Enlarged Group Companies for the employment of himself, any other person or any other company, other than the Enlarged Group Companies; and/or

(h) disclose to the Audit Committee his interest in respect of any contract, arrangement, proposal transaction or any other matter whatsoever in which he has any personal material interest, directly or indirectly, or any actual or potential conflicts of interest that may involve him. Upon such disclosure, he shall abstain from voting in respect of any such contract, arrangement, proposal, transaction or matter in which the conflict of interest arises; unless and until the Audit Committee has determined that no such conflict of interest exists.

Mr. Kenny Zhang

The Company has also entered into a service agreement ("**CFO Service Agreement**") with Mr. Kenny Zhang ("**CFO Appointee**") on 29 March 2017, appointing him as the CFO of the Company and the CFO Service Agreement will take effect on the Completion Date.

The initial term of his employment is fixed for three (3) years and shall thereafter continue for such period and on such terms to be agreed between the CFO Appointee and the Company.

The CFO Service Agreement provides that during the continuance of such agreement, the CFO Appointee shall, among other things, devote his time, attention and abilities to the affairs of the Enlarged Group.

The CFO Service Agreement may be terminated prior to the expiry of the term in any of the following cases:

(a) if the CFO Appointee becomes bankrupt or makes any arrangement or composition with his creditors generally;

(b) if the CFO Appointee is convicted of any criminal offence (save for an offence under any road traffic legislation for which he is not sentenced to any term of immediate or suspended imprisonment) and sentenced to any term of immediate or suspended imprisonment;

(c) if the CFO Appointee is or may be suffering from a mental disorder;

(d) if the CFO Appointee becomes prohibited by law or any order from any regulatory body or governmental authority from being, or ceases to be, an employee of the Company for any reason whatsoever;

(e) if the CFO Appointee ceases to hold the office of executive officer pursuant to the Company's Articles of Association or is disqualified from holding the office of or acting as, an executive officer of any company pursuant to any applicable law, for whatever reason, or the Company is required or requested by any authority (whether governmental or statutory) to terminate the services of the CFO Appointee;

(f) if the CFO Appointee commits any act of criminal breach of trust or dishonesty;

(g) if the CFO Appointee, in the reasonable opinion of the Board, becomes guilty of any wilful misconduct in the discharge of his duties under the CFO Service Agreement; or

(h) if the CFO Appointee, in the reasonable opinion of the Board, breaches any material provision of the CFO Service Agreement.

The CFO Service Agreement further provides that in the event of termination above, the Appointee shall not be entitled to claim any benefits or compensation for or in respect or by reason of such termination.

Pursuant to the terms of the CFO Service Agreement, the CFO Appointee is entitled to a monthly salary as set out below:

Proposed CFO	**Monthly salary (S$)**
Mr. Kenny Zhang	15,000

The CFO Appointee shall be entitled to an annual fixed bonus of one (1) month's salary and an annual variable performance bonus at the discretion of the Board and the Remuneration Committee, the amount of which shall be dependent on, amongst others, the performance of the CFO Appointee and the Enlarged Group for that financial year, provided always that if the employment is for less than a full financial year of the Company, such performance bonus shall be apportioned in respect of the actual number of days of employment of the CFO Appointee on the basis of a 365-day financial year.

The CFO Service Agreement also provides for, *inter alia*, reimbursement of out-of-pocket expenses, annual leave, medical benefits and certain restrictive covenants.

Restrictive Covenants under the CFO Service Agreement

Pursuant to the CFO Service Agreement, the CFO Appointee shall, during the term of his employment until 12 months after the termination of his employment:

(a) not deal in similar products as the Enlarged Group;

(b) not be engaged or interested in any business similar to or competing with the business of the Enlarged Group;

(c) not have any interest, directly or indirectly, in, and/or provide any assistance, financial technical or otherwise, to, any person or entity to carry on any business which is in competition with the business of the Enlarged Group;

(d) not be a director and/or hold an executive management position in any entity whose business competes with the business of the Enlarged Group;

(e) ensure that no company or business in which he is in the position to control, dominate or influence decision making shall engage in any business similar to or which is in competition with the business of the Enlarged Group, as the Enlarged Group's business may be from time to time;

(f) not solicit any person or corporation who (i) is or has been at any time a customer of the Enlarged Group; (ii) has business dealings with the Enlarged Group; or (iii) is in commercial negotiations with the Enlarged Group with a view to placing business with the Enlarged Group;

(g) not solicit any employee of the Enlarged Group Companies for the employment of himself, any other person or any other company, other than the Enlarged Group Companies; and/or

(h) disclose to the Audit Committee his interest in respect of any contract, arrangement, proposal transaction or any other matter whatsoever in which he has any personal material interest, directly or indirectly, or any actual or potential conflicts of interest that may involve him. Upon such disclosure, he shall abstain from voting in respect of any such contract, arrangement, proposal, transaction or matter in which the conflict of interest arises; unless and until the Audit Committee has determined that no such conflict of interest exists.

Mr. Goh Tuck Peng

The Company has also entered into a service agreement ("**FC Service Agreement**") with Mr. Goh Tuck Peng ("**FC Appointee**") on 29 March 2017, appointing him as the FC of the Company and the FC Service Agreement will take effect on the Completion Date.

The initial term of his employment is fixed for three (3) years and shall thereafter continue for such period and on such terms to be agreed between the FC Appointee and the Company.

The FC Service Agreement provides that during the continuance of such agreement, the FC Appointee shall, among other things, devote his time, attention and abilities to the affairs of the Enlarged Group.

The FC Service Agreement may be terminated prior to the expiry of the term in any of the following cases:

(a) if the FC Appointee becomes bankrupt or makes any arrangement or composition with his creditors generally;

(b) if the FC Appointee is convicted of any criminal offence (save for an offence under any road traffic legislation for which he is not sentenced to any term of immediate or suspended imprisonment) and sentenced to any term of immediate or suspended imprisonment;

(c) if the FC Appointee is or may be suffering from a mental disorder;

(d) if the FC Appointee becomes prohibited by law or any order from any regulatory body or governmental authority from being, or ceases to be, an employee of the Company for any reason whatsoever;

(e) if the FC Appointee ceases to hold the office of executive officer pursuant to the Company's Articles of Association or is disqualified from holding the office of or acting as, an executive officer of any company pursuant to any applicable law, for whatever reason, or the Company is required or requested by any authority (whether governmental or statutory) to terminate the services of the FC Appointee;

(f) if the FC Appointee commits any act of criminal breach of trust or dishonesty;

(g) if the FC Appointee, in the reasonable opinion of the Board, becomes guilty of any wilful misconduct in the discharge of his duties under the FC Service Agreement; or

(h) if the FC Appointee, in the reasonable opinion of the Board, breaches any material provision of the FC Service Agreement.

The FC Service Agreement further provides that in the event of termination above, the Appointee shall not be entitled to claim any benefits or compensation for or in respect or by reason of such termination.

Pursuant to the terms of the FC Service Agreement, the FC Appointee is entitled to a monthly salary as set out below:

Proposed FC	Monthly salary (S$)
Mr. Goh Tuck Peng	13,000

The FC Appointee shall be entitled to an annual fixed bonus of one (1) month's salary and an annual variable performance bonus at the discretion of the Board and the Remuneration Committee, the amount of which shall be dependent on, amongst others, the performance of the FC Appointee and the Enlarged Group for that financial year, provided always that if the employment is for less than a full financial year of the Company, such performance bonus shall be apportioned in respect of the actual number of days of employment of the FC Appointee on the basis of a 365-day financial year.

Upon Completion, the FC Appointee shall be paid a cash bonus equivalent to two (2) months of his salary, which shall be subject to any statutory deductions payable.

The FC Service Agreement also provides for, *inter alia*, reimbursement of out-of-pocket expenses, allowances, annual leave, medical benefits and certain restrictive covenants.

Restrictive Covenants under the FC Service Agreement

Pursuant to the FC Service Agreement, the FC Appointee shall, during the term of his employment until 12 months after the termination of his employment:

(a) not deal in similar products as the Enlarged Group;

(b) not be engaged or interested in any business similar to or competing with the business of the Enlarged Group;

(c) not have any interest, directly or indirectly, in, and/or provide any assistance, financial technical or otherwise, to, any person or entity to carry on any business which is in competition with the business of the Enlarged Group;

(d) not be a director and/or hold an executive management position in any entity whose business competes with the business of the Enlarged Group;

(e) ensure that no company or business in which he is in the position to control, dominate or influence decision making shall engage in any business similar to or which is in competition with the business of the Enlarged Group, as the Enlarged Group's business may be from time to time;

(f) not solicit any person or corporation who (i) is or has been at any time a customer of the Enlarged Group; (ii) has business dealings with the Enlarged Group; or (iii) is in commercial negotiations with the Enlarged Group with a view to placing business with the Enlarged Group;

(g) not solicit any employee of the Enlarged Group Companies for the employment of himself, any other person or any other company, other than the Enlarged Group Companies; and/or

(h) disclose to the Audit Committee his interest in respect of any contract, arrangement, proposal transaction or any other matter whatsoever in which he has any personal material interest, directly or indirectly, or any actual or potential conflicts of interest that may involve him. Upon such disclosure, he shall abstain from voting in respect of any such contract, arrangement, proposal, transaction or matter in which the conflict of interest arises; unless and until the Audit Committee has determined that no such conflict of interest exists.

23.6 Remuneration

The compensation[1] paid or payable to the Proposed Directors and the Proposed Executive Officers for services rendered to the Capital City Group in all capacities for FY2015 and FY2016 (being the two (2) most recent completed financial years) and the estimated compensation to be paid to the Proposed Directors and Proposed Executive Officers for services rendered to the Enlarged Group for FY2017, on an aggregate basis and in remuneration bands[2] are as follows:

Name	FY2015	FY2016	FY2017[1] (estimated)
Proposed Directors			
Mr. Siow	Band A	Band A	Band A
Mr. Tham	–[3]	–[3]	Band A
Mr. Aw Eng Hai	–[3]	–[3]	Band A
Mr. Dominic Tan	–[3]	–[3]	Band A
Mr. Victor Lye	–[3]	–[3]	Band A
Proposed Executive Officers			
Mr. Kenny Zhang	–[3]	–[3]	Band A[4]
Mr. Goh Tuck Peng	–[3]	–[3]	Band A
Mr. Tng Chia Siong	Band A	Band A	Band A

Notes:

(1) Such compensation includes any benefits in kind and deferred compensation accrued for the financial year in question and payable at a later date, but excludes any estimated amount of compensation that is to be paid pursuant to any bonus or profit-sharing plan or other profit-linked agreement or arrangement, but which has not been paid.

(2) "Band A" refers to remuneration of up to S$250,000 per financial year.

(3) Not appointed or employed by the Capital City Group during the relevant periods.

(4) From 1 March 2017 until 30 June 2017.

As at the Latest Practicable Date, no portion of the compensation disclosed above was paid or is to be paid:

(a) pursuant to any bonus or profit-sharing plan or any other profit-linked agreement or arrangement; or

(b) in the form of stock options.

Save for amounts set aside or accrued in respect of mandatory employee funds, no amounts have been set aside or accrued by the Capital City Group or the Enlarged Group to provide pension, retirement or similar benefits.

23.7 Material background information

Save as disclosed below, none of the Proposed Directors, Proposed Executive Officers or the Controlling Shareholders of the Company upon Completion:

(a) has at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two (2) years from the date he ceased to be a partner;

(b) has at any time during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two (2) years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;

(c) has any unsatisfied judgement against him;

(d) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;

(e) has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;

(f) has at any time during the last 10 years, had judgement entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty been made on his part, or has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;

(g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;

(h) has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;

(i) has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;

(j) to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:

(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;

(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;

(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; and/or

(k) has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

Disclosure in relation to Mr. Aw Eng Hai

On 27 August 2015, Mr. Aw Eng Hai was issued a warning letter by the Authority for a breach of Section 133 of the SFA in relation to his late notification on 22 April 2014 to Tritech following the issuance of bonus warrants to him by Tritech on 31 March 2014.

Mr. Aw Eng Hai is also an independent director of Tritech, which is a Controlling Shareholder of the Company. Tritech was issued with a warning letter ("**Tritech Warning Letter**") by the Authority on 13 February 2017 for a breach of Section 136 of the SFA for Tritech's late notification dated 24 June 2016 to the Company following the completion of the placement of shares in the Company on 21 April 2016, which resulted in a change in percentage of Tritech's shareholding interests in the Company. The Authority has informed Tritech that no further regulatory action will be taken against Tritech in respect of such breach. Neither Mr. Aw Eng Hai nor any of the directors of Tritech were the subject of the Tritech Warning Letter.

Disclosure in relation to Mr. Tham

Mr. Tham was an executive director of Koh Brothers from 2009 to 2012, during which Koh Brothers formed a joint venture with Soletanche Bachy Singapore Branch, Soletanche Bachy-Koh Brothers Joint Venture, to oversee the construction of the DTL1 C903 Bugis Station ("**DTL Bugis Station Project**") as the main contractor.

On 18 July 2012, the collapse of the temporary scaffolding used for the construction of a roof slab at a construction site at the DTL Bugis Station Project resulted in two (2) deaths and eight (8) workers injured (the "**Accident**"). Soletanche Bachy-Koh Brothers Joint

Venture pleaded guilty to failure to take safety measures at the site, and was fined S$70,000 in February 2014 for breach of the Workplace Safety and Health Act (Chapter 354A) of Singapore.

Mr. Tham was not involved in nor did he assist in any proceedings or investigations conducted in relation to the Accident.

24. INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST

Under Chapter 9 of the Catalist Rules, transactions between an entity at risk and an interested person are known as interested person transactions.

For the purposes of the Catalist Rules, an "entity at risk" refers to:

(a) the Company;

(b) a subsidiary of the Company that is not listed on the SGX-ST or an approved exchange; or

(c) an associated company of the Company that is not listed on the SGX-ST or an approved exchange, provided that the listing group or the listed group and its interested person(s) has control over the associated company,

upon Completion.

Upon Completion, the Capital City Group Companies will become subsidiaries of the Company. Accordingly, transactions between any of the Enlarged Group Company and any of its interested persons (namely, the Proposed Directors, CEO or Controlling Shareholders of the Company upon Completion and/or their respective associates) constitute interested person transactions under Chapter 9 of the Catalist Rules.

The Proposed Directors have represented to the Directors and the Company that, save as disclosed in this section, and to the best of their knowledge and belief, none of the Proposed Directors, the proposed CEO or the Controlling Shareholders of the Company upon Completion and/or their respective associates was or is interested, whether directly or indirectly, in any material transaction undertaken by the Capital City Group in FY2014, FY2015, FY2016, 3M2017 and for the period from 1 October 2016 until the Latest Practicable Date (the "**Relevant Period**").

24.1 Interested Persons

The following persons or companies who or which (as the case may be) have transacted with the Capital City Group during the Relevant Period are disclosed as "interested persons" of the Enlarged Group below:

(a) Mr. Siow

Mr. Siow is the Controlling Shareholder of AVL, REGL and FSVL and the executive director of each of the Capital City Group Companies. Upon Completion, Mr. Siow will be a Controlling Shareholder, a Proposed Director and proposed CEO of the Company. Accordingly, Mr. Siow is an interested person.

(b) Mr. Colin Tan and Mr. Edwin Tan

Mr. Colin Tan and Mr. Edwin Tan are the Controlling Shareholders of AVL and its non-executive directors. Upon Completion, Mr. Colin Tan and Mr. Edwin Tan will each be a Controlling Shareholder of the Company. Accordingly, Mr. Colin Tan and Mr. Edwin Tan are interested persons.

(c) RDC Arkitek

RDC Arkitek is 65.0% owned by Mr. Siow. Mr. Siow is also a non-executive director of RDC Arkitek. Accordingly, RDC Arkitek is an associate of Mr. Siow and correspondingly, an interested person.

(d) TU

Up until 11 October 2016, Mr. Siow's sister, Ms. Siow Lan Foong, held a 50.0% equity interest in the share capital of TU. Ms. Siow Lan Foong had held such 50.0% equity interest in the share capital of TU on behalf of Mr. Lim Soon Lai, a third party and the founder of TU, as verbally agreed between the parties. In addition, up until 12 October 2016, Ms. Siow Lan Foong was a non-executive director of TU. Ms. Siow Lan Foong was not involved in the daily operations of, or any decision-making in relation to, TU's business, which was managed by Mr. Lim Soon Lai prior to his death. Ms. Siow Lan Foong also had not received any remuneration or directors' fees from TU in respect of her appointment as a non-executive director of TU. The other 50.0%-shareholder and director of TU, Mr. Lim Choon Seng, is not related, directly or indirectly, to any of the Capital City Group Directors, the Capital City Group's Controlling Shareholders and/or their associates. Mr. Lim Choon Seng is also not related, directly or indirectly, to the Directors, Proposed Directors and Controlling Shareholders of the Company and/or their respective associates. Save for TU's transactions with the Capital City Group, Mr. Lim Choon Seng does not have any other business dealings with the Company and/or the Directors. Accordingly, during the Relevant Period, TU was an associate of Mr. Siow and correspondingly, an interested person and had ceased, on 12 October 2016, to be an interested person.

(e) Hatten Properties

Mr. Colin Tan and Mr. Edwin Tan are brothers and, together with their associates, collectively own 100.0% of Hatten Properties. Mr. Colin Tan and Mr. Edwin Tan are also the executive directors of Hatten Properties. Accordingly, Hatten Properties is an associate of each of Mr. Colin Tan and Mr. Edwin Tan and correspondingly, an interested person.

(f) Hatten International

Hatten International is wholly-owned by Sky Win Management Consultancy Pte. Ltd., which in turn is wholly-owned by Hatten Land Limited. Mr. Colin Tan and Mr. Edwin Tan are Controlling Shareholders and executive directors of Hatten Land Limited. Accordingly, Hatten International is an associate of each of Mr. Colin Tan and Mr. Edwin Tan and correspondingly, an interested person.

(g) FRSB

FRSB is wholly-owned by Sky Win Management Consultancy Pte. Ltd., which in turn is wholly-owned by Hatten Land Limited. Accordingly, FRSB is an associate of each of Mr. Colin Tan and Mr. Edwin Tan and correspondingly, an interested person.

(h) Hatten Asset Management

Hatten Asset Management is wholly-owned by Mr. Colin Tan and Mr. Edwin Tan and their associates. Accordingly, Hatten Asset Management is an associate of each of Mr. Colin Tan and Mr. Edwin Tan and correspondingly, an interested person.

24.2 Past interested person transactions

(a) Management and advisory services provided by Hatten Properties

On 27 December 2013, CCP entered into a management agreement ("**Management Contract**") with Hatten Properties, for the provision by Hatten Properties of, among others, (i) management expertise in marketing and communications services; and (ii) advisory services on sales, general administration and financing flow in respect of Project Capital City. The consideration due to Hatten Properties amounted to 2.0% of the sale price of each Unit sold. The term of the Management Contract commenced on the date prior to the preparation of the launch of the Units and was mutually terminated on 30 June 2016.

During the Relevant Period, the aggregate fees paid by CCP to Hatten Properties pursuant to the Management Contract were as follows:

(RM'000)	FY2014	FY2015	FY2016	3M2017	From 1 October 2016 to the Latest Practicable Date
Provision of management and support services	7,046	–	–	–	–

The Proposed Directors are of the view that the Management Contract was entered into on an arm's length basis and on normal commercial terms, as the terms are similar to those of other third party management and support services providers.

As at the Latest Practicable Date, there are no amounts owing under the Management Contract from CCP to Hatten Properties. CCP does not intend to enter into any transactions of the above nature in the future.

(b) Sales and marketing agent services provided by Hatten Properties

In FY2014 and FY2015, CCP engaged Hatten Properties as one of its sales and marketing agents to promote the sale of the commercial Units of Project Capital City. In return, Hatten Properties received service fees equivalent to 3.0% of the purchase price of each Unit sold by Hatten Properties, with an additional 1.0% or 2.0% performance incentive, depending on the accumulated sales value achieved. In FY2016, CCP entered into a definitive contract for the appointment of Hatten Properties, with the term of such contract ("**Contract of Appointment**") being six (6) months with an option to renew at the end of each term.

During the Relevant Period, the aggregate fees paid by CCP to Hatten Properties for sales and marketing agent services were as follows:

(RM'000)	FY2014	FY2015	FY2016	3M2017	From 1 October 2016 to the Latest Practicable Date
Provision of sales and marketing agent services	3,316	837	–	–	–

The Proposed Directors are of the view that transactions were conducted on an arm's length basis and on normal commercial terms, as the terms are similar to those of other third party sales agents.

The Contract of Appointment had expired on 30 June 2016. As at the Latest Practicable Date, there are no amounts owing under the sales and marketing agent services agreements from CCP to Hatten Properties. CCP does not intend to enter into any transactions of the above nature in the future.

(c) Motor vehicles sharing arrangement with Hatten Properties

In FY2014 and FY2015, CCP entered into arrangements with Hatten Properties (the "**Vehicles Use Arrangements**") in relation to the use of two (2) motor vehicles ("**Vehicles**") owned by CCP. Pursuant to the Vehicles Use Arrangements, CCP and Hatten Properties agreed to share the use of the Vehicles, and in consideration of such use, Hatten Properties agreed to bear the monthly hire purchase instalment payments of the hire purchase facilities taken up by CCP with Public Bank Berhad to finance the acquisition of the Vehicles and the premiums for the insurance policies in respect of the Vehicles. Save for such instalment payments and insurance premiums, no other fees, charges or expenses were charged by CCP to Hatten Properties for the shared use of the Vehicles by Hatten Properties. The hire purchase facilities with Public Bank Berhad have since been fully settled on 23 March 2017.

During the Relevant Period, the monthly instalment payments of the hire purchase facilities and insurance premiums paid by Hatten Properties were as follows:

(RM'000)	FY2014	FY2015	FY2016	3M2017	From 1 October 2016 to the Latest Practicable Date
Monthly instalment payments of the hire purchase facilities	33	67	67	11	33
Insurance premiums	5	7	6	5	5

The Proposed Directors are of the view that the abovementioned arrangements were not conducted on an arm's length basis and were not on normal commercial terms, since no fees were charged by CCP to Hatten Properties. Given that CCP did not have to bear the costs of acquisition of the Vehicles but retained legal title to the Vehicles with the ability to use the Vehicles during the Relevant Period, such arrangements are not prejudicial to the Company and minority Shareholders. CCP does not intend to enter into any transactions of the above nature in the future.

(d) Lease of office premises from Hatten International

In FY2014 and FY2015, CCP entered into two (2) agreements with Hatten International for the lease of office space ("**Leases**") at two (2) locations in Singapore to carry out its sales and marketing activities in respect of Project Capital City. In connection with the Leases, Hatten International also provided rental services and other resources for CCP's sales and marketing activities, such as lightboxes and advertising space. The terms of the Leases were for a period of six (6) months from 1 March 2014 to 31 August 2014 for Hatten International's office at Mohamed Sultan, and for a period of three (3) months from 1 March 2014 to 31 May 2014 for Hatten International's office at Midpoint.

During the Relevant Period, the aggregate fees paid by CCP to Hatten International for the Leases and provision of resources for sales and marketing activities were as follows:

(RM'000)	FY2014	FY2015	FY2016	3M2017	From 1 October 2016 to the Latest Practicable Date
Lease of office premises	373	168	–	–	–
Provision of equipment and services for sales and marketing activities	101	45	–	–	–

The Proposed Directors are of the view that such transactions were conducted on an arm's length basis and on normal commercial terms, as the terms are similar to those of other third party lessors. CCP does not intend to enter into any transactions of the above nature in the future.

(e) Collections on behalf of/by FRSB, Hatten Asset Management and Hatten Properties

In FY2014 and FY2015, CCP had made certain collections on behalf of FRSB. The collections were made pursuant to CCP's sales of the Hatten Group's projects. The aggregate amounts collected by CCP on behalf of FRSB during the Relevant Period were as follows:

(RM'000)	FY2014	FY2015	FY2016	3M2017	From 1 October 2016 to the Latest Practicable Date
Collections on behalf of FRSB	179	–	5	–	–

In FY2014 and FY2016, FRSB, Hatten Asset Management and Hatten Properties had made certain collections on behalf of CCP. The collections were made pursuant to the sales of the Units in Project Capital City by FRSB, Hatten Asset Management and Hatten Properties. The aggregate amounts collected by the abovementioned companies on behalf of CCP during the Relevant Period were as follows:

(RM'000)	FY2014	FY2015	FY2016	3M2017	From 1 October 2016 to the Latest Practicable Date
Collections on behalf of CCP	3,819	231	25	–	–

The amount collected on behalf of FRSB or CCP (as the case may be) were not subject to any interest, were unsecured and had no fixed terms of repayment. As there were no fees charged by any of CCP or FRSB, Hatten Asset Management and Hatten Properties in relation to such collections of behalf, the Proposed Directors are of the view that such collections were not on an arm's length basis and were not on normal commercial terms, but are not prejudicial to the Company and minority Shareholders. As at the Latest Practicable Date, there remains an outstanding amount of RM152,932 due from CCP to FRSB, Hatten Asset Management and Hatten Properties. CCP does not intend to enter into any transactions of the above nature in the future.

(f) Construction services provided by TU

Between 2014 to 2015, CCP entered into three (3) letters of award with TU to appoint TU as the main contractor in respect of Project Capital City, to provide, *inter alia*, precast reinforced concrete piles, ditto pre-tensioned concrete spun piles, excavation works, construction of ground beam and ground slab, supply of labour, plant and materials for the construction of the first phase of the development of Project Capital City, comprising a retail mall and carpark as well as a common facilities floor.

TU has since completed work for two (2) of the letters of award and is currently undertaking the construction, completion and maintenance of the main building works of Project Capital City.

The aggregate value of the letters of award is approximately RM539.5 million and each letter of award is for a term of between five (5) to 28 months. During the Relevant Period, the aggregate fees payable by CCP to TU for the provision of construction services were as follows:

(RM'000)	FY2014	FY2015	FY2016	3M2017	From 1 October 2016 to the Latest Practicable Date
Provision of construction services	–	35,499	108,849	15,850	44,945

The Proposed Directors are of the view that the transaction was conducted on an arm's length basis and on normal commercial terms as CCP had sought quotations from three (3) other contractors apart from TU in the tender process for the appointment of the contractor in respect of the first phase of the development of Project Capital City.

On 11 October 2016, Ms. Siow Lan Foong, Mr. Siow's sister, divested her entire shareholding interest in TU to Mr. Pan Meng Huat, an unrelated third party, following discussions between Mr. Pan Meng Huat and Mr. Lim Soon Lai's family, for a cash consideration of RM1,000,000. The consideration was based on the amount of paid-in capital that Mr. Lim Soon Lai had invested in TU, being RM1,000,000. Ms. Siow Lan Foong did not retain any of the proceeds from the sale of her shareholdings to Mr. Pan Meng Huat, and the consideration was paid directly by Mr. Pan Meng Huat to Mr. Lim Soon Lai's family. Ms. Siow Lan Foong also ceased to be a director of TU with effect from 12 October 2016. Accordingly, TU is no longer an associate of Mr. Siow and is no longer an interested person, and all transactions with TU are no longer deemed to be interested person transactions.

(g) Personal guarantees provided by Mr. Colin Tan

During the Relevant Period, CCP had secured two (2) of its hire purchase facilities, being the hire purchase facilities in respect of the Vehicles, against personal guarantees provided by Mr. Colin Tan, details of which are as follows:

Description of guarantee	Guarantor(s)	Amount owing as at the Latest Practicable Date (RM'000)	Amount guaranteed as at the Latest Practicable Date (RM'000)	Largest amount guaranteed during the Relevant Period (RM'000)
Personal guarantee in respect of hire purchase facility with Public Bank Berhad	Mr. Colin Tan	184	184	184
Personal guarantee in respect of hire purchase facility with Public Bank Berhad	Mr. Colin Tan	184	184	184

The hire purchase facilities with Public Bank Berhad have since been fully settled on 23 March 2017. As no compensation was paid by CCP to Mr. Colin Tan for the provision of the above guarantees, the Proposed Directors are of the view that the guarantees were not provided on an arm's length basis but are not prejudicial to the interests of the Company and minority Shareholders. CCP does not intend to enter into any transactions of the above nature in the future.

24.3 Present and ongoing interested person transactions

(a) Architectural services provided by RDC Arkitek

On 3 March 2014, CCP appointed RDC Arkitek to provide architectural consultation services to CCP in respect of Project Capital City. In return, RDC Arkitek is entitled to receive fees equivalent to 2.0% of the total construction cost of Project Capital City. During the Relevant Period, the aggregate fees payable by CCP to RDC Arkitek for the provision of architectural services were as follows:

(RM'000)	FY2014	FY2015	FY2016	3M2017	From 1 October 2016 to the Latest Practicable Date
Provision of architectural services	1,764	289	1,573	363	664

The Proposed Directors are of the view that the transaction was conducted on an arm's length basis and on normal commercial terms, as CCP had sought quotations from two (2) other architectural firms apart from RDC Arkitek in the tender process for the appointment of the architect in respect of Project Capital City, and are not prejudicial to the interests of the Company and minority Shareholders.

(b) Personal guarantees provided by Mr. Siow and Mr. Colin Tan

CCP has secured two (2) of its hire purchase facilities against personal guarantees provided by one or both of Mr. Siow and Mr. Colin Tan, details of which are as follows:

Description of guarantee	Guarantor(s)	Amount owing as at the Latest Practicable Date (RM'000)	Amount guaranteed as at the Latest Practicable Date (RM'000)	Largest amount guaranteed during the Relevant Period (RM'000)
Personal guarantee in respect of hire purchase facility with Public Bank Berhad	Mr. Colin Tan	184	184	184
Personal guarantee in respect of hire purchase facility with Public Bank Berhad	Mr. Siow and Mr. Colin Tan	113	113	113

As no compensation was paid by CCP to Mr. Siow or Mr. Colin Tan for the provision of the above guarantees, the Proposed Directors are of the view that the guarantees were not provided on an arm's length basis but are not prejudicial to the interests of the Company and minority Shareholders. As at the Latest Practicable Date, all of the above guarantees are still outstanding. Following Completion, CCP intends to request for the release and discharge of all personal guarantees provided by Mr. Siow and/or Mr. Colin Tan and replace them with corporate guarantees provided by the Company, subject to Public Bank Berhad's consent. In the event that Public Bank Berhad does not agree to release Mr. Siow and/or Mr. Colin Tan from the abovementioned personal guarantees and CCP is unable to secure alternative bank facilities on similar terms, Mr. Siow and Mr. Colin Tan will continue to provide the abovementioned personal guarantees until such time when CCP is able to secure alternative facilities from other financial institutions. CCP does not intend to enter into any transactions of the above nature in the future.

(c) Advances from Mr. Siow

As required under the EHSB JVA and the Perak JVA, deposits of RM750,000 and RM500,000 respectively were payable to the respective landowners of the CCV Land Asset and the CCF Land Asset respectively ("**JVA Deposits**"). The JVA Deposits were paid on behalf of CCV and CCF by Mr. Siow ("**JVA Deposits Advances**") in FY2017.

As no fee or interest was paid on the JVA Deposits Advances, and there were no fixed repayment terms, the Proposed Directors are of the view that the JVA Deposits Advances were not provided on an arm's length basis and were not on normal commercial terms but are not prejudicial to the interests of the Company and minority Shareholders. As at the Latest Practicable Date, the largest amount outstanding of the JVA Deposits Advances was RM1,250,000 ("**Outstanding Amount**") as CCV and CCF have not repaid any amount of the JVA Deposits Advances to Mr. Siow. The Capital City Group intends to repay the Outstanding Amount by 30 June 2017. The repayment of the Outstanding Amount will be subject to review and approval by the Audit Committee, taking into account the financial position of the Enlarged Group (including but not limited to its cash flow). The Capital City Group does not intend to enter into any such transaction in the future.

In view of the present and ongoing interested person transactions entered into between the Capital City Group and its interested persons, and given that the Capital City Group will, post-Completion, continue to engage the services of the interested persons as set out above in the future in respect of Project Capital City and the other projects that the Capital City Group may undertake from time to time, such present and ongoing as well as future interested person transactions of the Capital City Group will also be considered as interested person transactions of the Company. Accordingly, such transactions will be subject to the review procedures under Section 24.4 entitled "Review procedures for future interested person transactions" of this Circular.

24.4 Review procedures for future interested person transactions

Upon Completion, any transactions between any of the Enlarged Group Company and the interested persons will be subject to the guidelines set below, to ensure that any interested person transactions will be carried out on an arm's length basis and on normal commercial terms which will not be prejudicial to the interests of the Company and its minority Shareholders:

(a) Register of interested persons and interested person transactions

The Company will maintain a register of interested persons and interested person transactions.

The register of interested persons will be updated regularly and disclosed to the relevant personnel to enable identification of interested persons. The register of interested persons will be reviewed by the Audit Committee at least on a quarterly basis.

The register of interested person transactions would record the basis on which interested person transactions are entered into, including the quotations and other evidence obtained to support such basis, and the approval or review by the Audit Committee, CFO or any duly appointed director as the case may be. This register of interested person transactions shall be reviewed by the Audit Committee at least on a quarterly basis, if any, to ensure that they are carried out on an arm's length basis and in accordance with the procedures outlined above. It will take into account all relevant non-quantitative factors.

(b) Approval matrix

The Company shall monitor all interested person transactions entered into by the Enlarged Group and categorise these transactions as follows:

(i) a Category 1 interested person transaction is one where the value thereof is in excess of 3.0% of the NTA of the Enlarged Group; and

(ii) a Category 2 interested person transaction is one where the value thereof is below or equal to 3.0% of the NTA of the Enlarged Group.

All Category 1 interested person transactions must be approved by the Audit Committee prior to entry whereas Category 2 interested person transactions need not be approved by the Audit Committee prior to entry but shall be reviewed on a quarterly basis by the Audit Committee.

In addition, before any agreement or arrangement that is not in the ordinary course of business of the Enlarged Group is transacted, prior approval must be obtained from the Audit Committee. In the event a member of the Audit Committee is interested in any of the interested person transactions, he will abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for review by the Audit Committee.

(c) Review by Audit Committee

The Enlarged Group shall prepare relevant information (such as pricing guidelines, pricing for similar existing customers and quotations obtained from third-party suppliers) to assist the Audit Committee in its review of all interested persons transactions.

During its periodic review or such other review deemed necessary by it, the Audit Committee will carry out a review of records of all interested person transactions to ensure that they are carried out in accordance with the following internal control procedures:

(i) when purchasing any products or engaging any services from an interested person, two (2) other quotations from non-interested persons will be obtained for comparison to ensure that the interests of the Company and its minority Shareholders are not disadvantaged. The purchase price or fee for the products or services shall not be higher than the most competitive price or fee of the two (2) other quotations from non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, requirements, specifications, delivery time and track record will be taken into consideration;

(ii) when selling any products or supplying any services to an interested person, the price or fee and terms of two (2) other successful transactions of a similar nature with non-interested persons will be used as comparison to ensure that the interests of the Company and its minority Shareholders are not disadvantaged. The price or fee for the supply of products or services shall not be lower than the lowest price or fee of the two (2) other successful transactions with non-interested persons;

(iii) when renting properties from or to an interested person, appropriate steps will be taken to ensure that such rent is matched with prevailing market rates, including adopting measures such as making relevant enquiries with landlords of similar properties and obtaining suitable reports or reviews published by property agents (where necessary). The rent payable shall be based on the most competitive market rental rates of similar properties in terms of size and location, based on the results of the relevant enquiries; and

(iv) where it is not possible to compare against the terms of other transactions with unrelated third parties and given that the products and/or services may be purchased only from an interested person, the interested person transaction will be approved by the Company's directors, who have no interest in the transaction, in accordance with the Company's usual business practices and policies. In determining the transaction price payable to the interested person for such products and/or service, factors such as, but not limited to, quantity, requirements and specifications will be taken into account.

The Audit Committee shall also review from time to time such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that interested person transactions are conducted on normal commercial terms, on an arm's length basis and do not prejudice the interests of the Company and its minority Shareholders. Further, if during these periodic reviews by the Audit Committee, the Audit Committee is of the opinion that the guidelines and procedures as stated above are not sufficient to ensure that interested person transactions will be on normal commercial terms, on an arm's length basis and not prejudicial to the interests of the Company and its minority Shareholders, the Audit Committee will adopt such new guidelines and review procedures for future interested person transactions as may be appropriate.

(d) Chapter 9 of the Catalist Rules

In addition to the above review procedures, when selling any units of property projects to an interested person or a relative of a director, CEO, or Controlling Shareholder of the Company, the Company shall comply with Rules 910 to 914 of the Catalist Rules as follows:

(i) announce the sale or proposed sale within two (2) weeks for local property projects or immediately for non-local property projects ("**Announcement**");

(ii) state the name of the project, the name of each purchaser, the unit number, the sale price and the percentage discount given in such Announcements;

(iii) the selling prices shall be within the range of discounts provided to the New Board, employees and/or their associates in accordance with the Enlarged Group's usual business practices and policies;

(iv) the New Board must be satisfied that the terms of the sale(s) are not prejudicial to the interests of the Company and its minority Shareholders, and the Audit Committee must review and approve the sale(s) and satisfy itself that the number and terms of the sale(s) are fair and reasonable and not prejudicial to the interests of the Company and its minority Shareholders; and

(v) where Shareholders' approval is required, it shall be obtained within six (6) weeks of the date of the sale or proposed sale and the relevant interested persons and their nominees shall abstain from voting on all resolutions to approve the sales or proposed sales.

The Company will also comply with the provisions in Chapter 9 of the Catalist Rules in respect of all future interested person transactions, and if required under the Catalist Rules, the Company will seek its Shareholders' approval (where necessary) for such transactions. In accordance with Rule 919 of the Catalist Rules, interested persons and their associates shall abstain from voting on resolutions approving interested persons transactions involving themselves and the Enlarged Group. In addition, such interested persons shall not act as proxies in relation to such resolutions unless specific instructions as to voting have been given by the Shareholder(s). The New Board will ensure that all interested persons transactions will be subject to the disclosure requirements of the Catalist Rules, and to obtain Shareholders' approval if deemed necessary under the Catalist Rules. Disclosure will

be made in the Company's annual report of the aggregate value of interested person transactions during the relevant financial year under review and in the subsequent annual reports for the subsequent financial years of the Company.

All the Proposed Independent Directors, who are members of the Audit Committee, are of the view that the review procedures and systematic monitoring mechanism of all interested person transactions as mentioned above, are adequate in ensuring that such transactions will be on normal commercial terms and will not be prejudicial to the interests of Shareholders in any way.

24.5 Potential conflicts of interests

A. Interests of the Proposed Directors, Controlling Shareholders of the Company or their respective associates

In general, a conflict of interests arises when any of the Proposed Directors, CEO or Controlling Shareholders of the Company and/or their respective associates is carrying on or has any interest in any other corporation carrying on the same business or dealing in similar products as the Enlarged Group.

The following persons have an interest in certain corporations carrying on the same business or dealing in similar products as the Enlarged Group through his directorships and/or shareholdings in the relevant corporations:

- Mr. Siow, who, upon Completion, will be a Controlling Shareholder and a Proposed Director of the Company;
- Mr. Colin Tan, who, upon Completion, will be a Controlling Shareholder of the Company; and
- Mr. Edwin Tan, who, upon Completion, will be a Controlling Shareholder of the Company.

The potential conflicts of interests have been mitigated as follows:

The Hatten Group

Each of Mr. Colin Tan and Mr. Edwin Tan holds interests and directorships in a conglomerate of companies ("**Hatten Group**", and each a "**Hatten Group Company**") with core businesses in property development, property investment, hospitality, retail and education ("**Hatten Group Business**").

Mr. Colin Tan, Mr. Edwin Tan and the Company have entered into a deed of undertaking on 29 March 2017 ("**Tan Shareholders' Deed**") pursuant to which Mr. Colin Tan and Mr. Edwin Tan undertake that, for so long as the Company's shares are listed and traded on the SGX-ST and for so long as Mr. Colin Tan, Mr. Edwin Tan and their associates have an interest, direct or indirect, in the shareholdings of the Company amounting to 15.0% or more of the shares in the capital of the Company ("**Shareholding Term**"), they shall, and shall procure that their associates shall, abstain from exercising all voting rights attaching to the shares of the Company held by them, or decline, and ensure that their associates shall also decline, to accept

appointment as proxies to vote, unless the Shareholder concerned has given specific instructions as to the manner in which such Shareholder's votes are to be cast, on resolutions of the Company in general meeting in respect of any of the following:

(a) acquisitions or realisations of assets insofar as such assets are for the purposes of, in connection with, or for the undertaking of, businesses similar to or in competition with the Hatten Group Business;

(b) interested persons transactions insofar as such transactions are for the purposes of, in connection with, or for the undertaking of, businesses similar to or in competition with the Hatten Group Business;

(c) appointments (including re-appointments) or removals of directors; and

(d) any matters concerning the management of any Company, insofar as the business of such Enlarged Group Company is similar to or in competition with the Hatten Group Business.

Mr. Colin Tan and Mr. Edwin Tan have also undertaken, during the Shareholding Term, that they shall, and shall procure that their associates shall:

(i) not seek appointment, or give consent to act, as directors of the Company, whether in an executive or non-executive capacity;

(ii) not appoint any nominee director to the board of directors of the Company;

(iii) not directly or indirectly participate in the management of any of the Enlarged Group Companies;

(iv) save for (aa) the Hatten Group Business in existence as at the date of the Tan Shareholders' Deed; (bb) Hatten Land Limited and its subsidiaries from time to time ("**Hatten Land Group**"); and (cc) (1) any shares in the capital of any Hatten Group Company engaged in the business of property development ("**Hatten Group Property Company**"); (2) any existing or future land held by any of Mr. Colin Tan and/or Mr. Edwin Tan and/or any Hatten Group Property Company; and (3) any rights to develop any land (whether held by a Hatten Group Property Company or otherwise) ((1), (2) and (3) collectively, the "**Relevant Assets**"), not deal in similar products or services as the Enlarged Group, provided always that the restriction under this paragraph shall not apply to any products or services dealt in by them and/or their associates in the jurisdiction prior to the Enlarged Group commencing its operations in such jurisdiction;

(v) save for (aa) the Hatten Group Business in existence as at the date of the Tan Shareholders' Deed; (bb) the Hatten Land Group; and (cc) any Relevant Asset, not have any interest, directly or indirectly, in, and/or provide any assistance, financial, technical or otherwise, to, any person or entity to carry on any business in any jurisdiction in which the Enlarged Group is operating from time to time and that is similar to or which is in competition with the Enlarged Group's business ("**Competing Business**"), save for any interest in any securities, whether unlisted or listed on any securities exchange, which does not exceed 5.0% of the aggregate voting rights of such securities, provided always that the

restriction under this paragraph shall not apply to any entity engaged in a Competing Business if they and/or their associates had acquired their interest, directly or indirectly, in, and/or had provided assistance, financial, technical or otherwise, to, such person or entity if such person or entity was predominantly engaged in the Competing Business in the jurisdiction prior to the Enlarged Group commencing its operations in such jurisdiction;

(vi) save for (aa) the Hatten Group Business in existence as at the date of the Tan Shareholders' Deed; (bb) the Hatten Land Group; and (cc) any Relevant Asset, not be an executive director and/or hold an executive management position (including but not limited to board membership) in any entity carrying on a Competing Business, provided always that the restriction under this paragraph shall not apply to any entity which either of them and/or their associates had become an executive director and/or held an executive management position (including but not limited to board membership) in if such entity was predominantly carrying on the Competing Business in the jurisdiction prior to the Enlarged Group commencing operations in such jurisdiction;

(vii) save for (aa) the Hatten Group Business in existence as at the date of the Tan Shareholders' Deed; (bb) the Hatten Land Group; and (cc) any Relevant Asset, ensure that no company or business in which either of them and/or their associates, is in the position to control, dominate or influence decision making shall engage in any Competing Business, provided always that the restriction under this paragraph shall not apply to any company or business operating in a jurisdiction if such company or business was predominantly undertaking the Competing Business in the jurisdiction prior to the Enlarged Group commencing operations in such jurisdiction;

(viii) not solicit or entice away, whether directly or indirectly, any person or corporation is in commercial negotiations with the Enlarged Group with a view to placing business with the Enlarged Group;

(ix) not solicit any employee of the Enlarged Group Companies for the employment of himself, any other person or any other company, other than the Enlarged Group Companies;

(x) not make use of or disclose or divulge to any third party any confidential information or trade secrets relating to any of the Enlarged Group Companies, other than information properly available to the public or disclosed or divulged pursuant to an order of a court of competent jurisdiction;

(xi) in relation to any trade, business or company, not use any trade name, trademark or symbol used by the Enlarged Group at present or in the future (whether registered or not, including but not limited to such words as "Capital City" or "Capital World") in such a way as to be capable of being or likely to be confused with the name of the Company (upon its change of name) or any of the Enlarged Group Companies, and shall use all reasonable endeavours to procure that no such name shall be used by any person, firm or company with which it is connected; and

(xii) disclose, to the best of their knowledge, to the Audit Committee their and/or any of their associates' interests, whether direct or indirect, in respect of any contract, arrangement, proposal, transaction or any other matter whatsoever to be contemplated by any Enlarged Group Company in which they and/or any of their associates has any personal material interest or any actual or potential conflicts of interest that may involve them. Upon such disclosure, they and/or any of their associates shall abstain from voting and recuse themselves from discussions in respect of any such contract, arrangement, proposal, transaction or matter in which the conflict of interest arises, unless and until the Audit Committee has determined that no such conflict of interest exists.

Mr. Siow's Property Development Companies and Mr. Siow's Investment Companies

Mr. Siow holds interests in certain companies which were engaged in the business of property development and which are based in Malaysia (collectively, "**Mr. Siow's Property Development Companies**"), as set out in the list below:

Name of entity	Country of incorporation	Shareholding (%)
Nihon Properties Sdn. Bhd. ("**Nihon Properties**")	Malaysia	30.0(1)
Sun Plus Development Sdn. Bhd. ("**Sun Plus**")	Malaysia	50.0(2)
Sunbuild Development Sdn. Bhd. ("**Sunbuild**")	Malaysia	50.0(3)
Hup Heng Blossom Sdn. Bhd. ("**Hup Heng**")	Malaysia	35.0(4)

Notes:

(1) The other 70.0% in Nihon Properties is held by Ng Kong Fei, Dato' (40.0%) and Chay Kam Yuin (30.0%). Neither Ng Kong Fei, Dato' nor Chay Kam Yuin is related, directly or indirectly, to any of the Directors, Proposed Directors and/or Controlling Shareholders of the Company.

(2) The other 50.0% in Sun Plus is held by Chay Kam Yuin. Chay Kam Yuin is not related, directly or indirectly, to any of the Directors, Proposed Directors and/or Controlling Shareholders of the Company.

(3) The other 50.0% in Sunbuild is held by Chay Kam Yuin. Chay Kam Yuin is not related, directly or indirectly, to any of the Directors, Proposed Directors and/or Controlling Shareholders of the Company.

(4) Mr. Siow has an indirect equity interest of 35.0% in Hup Heng as he holds a 70.0% equity interest in RDCA Holdings Sdn. Bhd., which in turn holds a 50.0% equity interest in Hup Heng. The other 50.0% in Hup Heng is held by Rushoe Land and Industry Sdn. Bhd. (38.0%) and CTS Space Planner & Builder Sdn. Bhd. (12.0%). Mr. Siow is also a non-executive director of RDCA Holdings Sdn. Bhd. The other 30.0% in RDCA Holdings Sdn. Bhd. are held by Tan Choon Kiat (20.0%) and Mohd Hisham bin Ibrahim (10.0%). Tan Choon Kiat is Mr. Siow's nephew. Save as disclosed herein, none of Rushoe Land and Industry Sdn. Bhd., CTS Space Planner & Builder Sdn. Bhd., Tan Choon Kiat and Mohd Hisham bin Ibrahim is related, directly or indirectly, to any of the Directors, Proposed Directors and/or Controlling Shareholders of the Company.

Nihon Properties had completed the development of its sole project, a shopping mall in Kuala Lumpur, Selangor, Malaysia, in 2014, and as at the date of this Circular, has sold most of the units of the project.

Sun Plus had completed the development of its sole project, a factory in Batu Caves, Selangor, Malaysia, in 2013, and has not been engaged in any business in the past three (3) years prior to the date of this Circular.

Sunbuild had completed the development of a few shophouses in Kota Kemuning, Selangor, Malaysia, in 2014 and has not been engaged in any business since then.

Prior to the entry by the AVL SPA Parties into the SPA, Hup Heng had already commenced the development of a hotel on its land asset in Pengerang, Johor, Malaysia, which it will also manage upon completion ("**Hup Heng Ongoing Project**").

Mr. Siow has represented to the Company that, to the best of his knowledge and belief, there is no intention for any of Mr. Siow's Property Development Companies to further undertake any new property development projects.

Further, Mr. Siow holds interests and directorships in certain companies which own undeveloped land asset(s) in Malaysia (collectively, "**Mr. Siow's Investment Companies**"), which are set out in the list below:

Name of entity	Country of incorporation	Nature of directorship	Shareholding (%)
Bintang Simfoni Sdn. Bhd. ("**Bintang Simfoni**")	Malaysia	Non-executive	60.0[(1)]
Express Inn Sdn. Bhd. ("**Express Inn**")	Malaysia	Non-executive	50.0[(2)]
Revenue Sprint Sdn. Bhd.	Malaysia	Non-executive	50.0[(3)]
Zillion Enrich Sdn. Bhd.	Malaysia	Non-executive	50.0[(4)]

Notes:

(1) The other 40.0% in Bintang Simfoni is held by Mah Wah Chu @ Mah Wah Chu Pearl (31.0%) and Ma Kiu Man Vince (9.0%). Neither Mah Wah Chu @ Mah Wah Chu Pearl nor Ma Kiu Man Vince is related, directly or indirectly, to any of the Directors, Proposed Directors and/or Controlling Shareholders of the Company.

(2) Bintang Simfoni holds a 50.0% equity interest in Express Inn. The other 50.0% in Express Inn is held by Pre System Enterprise Sdn. Bhd. Pre System Enterprise Sdn. Bhd. is not related, directly or indirectly, to any of the Directors, Proposed Directors and/or Controlling Shareholders of the Company.

(3) The other 50.0% in Revenue Sprint Sdn. Bhd. is held by Asia Plenitude Sdn. Bhd. Asia Plenitude Sdn. Bhd. is not related, directly or indirectly, to any of the Directors, Proposed Directors and/or Controlling Shareholders of the Company.

(4) The other 50.0% in Zillion Enrich Sdn. Bhd. is held by Chay Kam Yuin. Chay Kam Yuin is not related, directly or indirectly, to any of the Directors, Proposed Directors and/or Controlling Shareholders of the Company.

Mr. Siow has represented to the Company that, to the best of his knowledge and belief, as at the date of this Circular, there is no intention for any of Mr. Siow's Investment Companies to undertake any property development on the land asset(s) that they own, or to further acquire any new pieces of real estate.

Mr. Siow had invested in Mr. Siow's Property Development Companies and Mr. Siow's Investment Companies at the request of certain of his business associates, who remain as controlling shareholders ("**Other Controlling Shareholders**") of the respective Mr. Siow's Property Development Companies and Mr. Siow's Investment Companies. Notwithstanding his shareholding interests in Mr. Siow's Property Development Companies and Mr. Siow's Investment Companies, Mr. Siow is only a passive shareholder and had invested in these companies in his own personal capacity. Mr. Siow has no involvement in the day-to-day operations of and does not hold any executive positions or directorships in any of Mr. Siow's Property Development Companies. Mr. Siow is a non-executive director of each of Mr. Siow's Investment Companies, all of which currently have no operations and are purely holding undeveloped land assets. The Other Controlling Shareholders are the key decision-makers in overseeing and influencing the direction of the relevant Mr. Siow's Property Development Companies and Mr. Siow's Investment Companies. On this basis, Mr. Siow's Property Development Companies and Mr. Siow's Investment Companies have been excluded from the Enlarged Group.

In view of the above, Mr. Siow and the Company have entered into a deed of undertaking on 29 March 2017 which stipulates that for so long as the Company's Shares continue to be listed and traded on the SGX-ST and for so long as Mr. Siow and/or his associates is either a director, CEO or Controlling Shareholder of the Company, Mr. Siow shall, and shall procure that his associates shall:

(a) not deal in similar products or services as the Enlarged Group;

(b) not engage in any business that is similar to or which is in competition with the Enlarged Group's business, as the Enlarged Group's business may be from time to time ("**Competing Business**");

(c) not have any interest, directly or indirectly, in, and/or provide any assistance, financial, technical or otherwise, to, any person or entity to carry on any Competing Business any interest in any securities (whether listed on any securities exchange or unlisted) which does not exceed 5.0% of the aggregate voting rights of such securities. Without prejudice to the generality of the foregoing, the obligation in this paragraph shall apply to Mr. Siow's Property Development Companies and Mr. Siow's Investment Companies in the event that any of them subsequently engages in any Competing Business, save that the undertaking of the Hup Heng Ongoing Project by Hup Heng shall not be deemed to be a breach of the obligation in this paragraph;

(d) not be an executive director and/or hold an executive management position (including but not limited to board membership) in any Competing Business;

(e) ensure that no company or business in which he and/or any of his associates, is in the position to control, dominate or influence decision making shall engage in any Competing Business;

(f) not solicit, market to or entice away, whether directly or indirectly, any person or corporation who (i) is or has been at any time a customer of the Enlarged Group; (ii) has business dealings with the Enlarged Group; or (iii) is in commercial negotiations with the Enlarged Group with a view to placing business with the Enlarged Group;

(g) not solicit any employee of the Enlarged Group Companies for the employment of himself, any other person or any other company, other than the Enlarged Group Companies;

(h) not make use of or disclose or divulge to any third party any confidential information or trade secrets relating to any of the Enlarged Group Companies, other than information properly available to the public or disclosed or divulged pursuant to an order of a court of competent jurisdiction;

(i) in relation to any trade, business or company, not use any trade name, trademark or symbol used by the Enlarged Group at present or in the future (whether registered or not, including but not limited to such words as "Capital City" or "Capital World") in such a way as to be capable of being or likely to be confused with the name of the Company (upon its change of name) or any of the Enlarged Group Companies, and shall use all reasonable endeavours to procure that no such name shall be used by any person, firm or company with which it is connected; and

(j) disclose to the Audit Committee his and/or any of his associates' interests, whether direct or indirect, in respect of any contract, arrangement, proposal, transaction or any other matter whatsoever in which he and/or any of his associates has any personal material interest or any actual or potential conflicts of interest that may involve him, as well as any acquisitions of any interest of any quantum in a company holding any land or real estate. Upon such disclosure, he and/or any of his associates shall abstain from voting and recuse himself from discussions in respect of any such contract, arrangement, proposal, transaction or matter in which the conflict of interest arises, unless and until the Audit Committee has determined that no such conflict of interest exists.

Pursuant to such deed of undertaking, Mr. Siow has also undertaken to the Company that in the event that Mr. Siow wishes or is required to transfer any shares in any entity undertaking the Competing Business (including Mr. Siow's Property Development Companies and Mr Siow's Investment Companies, to the extent that the businesses of such companies are in competition) ("**Competing Business Shares**"), he shall offer in writing those Competing Business Shares to be transferred to the Company at a price to be determined by an independent valuer, and the Company shall have 14 Business Days to accept such offer.

Mr. Siow and the Company have also entered into a right of first refusal deed with each of Bintang Simfoni, Express Inn, Revenue Sprint Sdn. Bhd. and Zillion Enrich Sdn. Bhd. (each a "**Grantor**") on 29 March 2017 pursuant to which each Grantor undertakes to the Company that for so long as Mr. Siow and/or his associates:

(i) is a director of such Grantor; or

(ii) holds directly or indirectly more than 5.0% of the aggregate shareholding interests in the share capital of such Grantor,

and is

(aa) a director;

(bb) CEO; or

(cc) Controlling Shareholder,

of the Company, in the event that such Grantor so determines to undertake any property development of any form or nature on the land held by such Grantor ("**Land**") or any new piece of land or real estate that such Grantor may acquire in the future ("**New Land**"), such Grantor undertakes to offer the Company, by way of notice in writing by such Grantor to the Company ("**Notice**") the first right by any Enlarged Group Company to be appointed to undertake such property development for such Grantor subject to agreement on the terms of such appointment ("**Agreed Terms of Appointment**") between such Grantor and the Company (or the relevant Enlarged Group Company) ("**ROFR**").

If the Agreed Terms of Appointment cannot be agreed upon within 45 Business Days (or such other duration as may be mutually agreed) from the date of receipt of the Notice by the Company, such Grantor shall have the right to offer the property development opportunity on the Land or the New Land to third parties apart from the Company, so long as the terms of the offer are the same or not more favourable than the terms offered to the Company pursuant to the ROFR.

Mr. Siow has undertaken, in instances of the ROFR, to recuse himself from discussions amongst the board of directors of the Company and such Grantor, as well as discussions between the Company and such Grantor, in relation to the Agreed Terms of Appointment, and shall further abstain from voting on resolutions (whether as director or shareholder of the Company or such Grantor) relating to the Agreed Terms of Appointment.

The Audit Committee will review the terms of such Agreed Terms of Appointment, if any, to ensure that the transaction is not prejudicial to the interests of the Company and its minority Shareholders.

Save as disclosed in Section 24.3 entitled "Present and ongoing interested person transactions" and in this Section 24.5 entitled "Potential conflicts of interests" of this Circular, none of the Proposed Directors, Capital City Group Directors, Controlling Shareholders of the Company upon Completion, the Controlling Shareholders of the Capital City Group Companies or their respective associates has any other material interest, direct or indirect, in:

(a) any company carrying out the same business and/or dealing in similar products as the Enlarged Group or any of its subsidiaries;

(b) any enterprise or company that is a customer or supplier of goods and services of the Enlarged Group; and

(c) any transaction to which the Enlarged Group is or was a party.

B. Interests of the Independent Property and Business Valuer

In the reasonable opinion of the Directors, the Independent Property and Business Valuer, SREC, does not have a material relationship with the Company or the Capital City Group, save for SREC being the Independent Property and Business Valuer.

C. Interests of the Sponsor, Financial Adviser and Placement Agent

In the reasonable opinion of the Directors, the Sponsor, Financial Adviser and Placement Agent, PPCF, does not have a material relationship with the Company or the Capital City Group save for the following:

(a) PPCF is the Sponsor, Financial Adviser and Placement Agent in respect of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition;

(b) as at Latest Practicable Date, PPCF holds 4,821,700 Shares representing approximately 0.71% of the total number of Shares of the Company; and

(c) PPCF is the continuing sponsor of the Company, and will be the continuing sponsor of the Company for a period of three (3) years from the AVL Completion Date, the REGL Completion Date and the FSVL Completion Date.

D. Interests of the Independent Financial Adviser

In the reasonable opinion of the Directors, the IFA, Xandar, does not have a material relationship with the Company or the Capital City Group, save that Xandar is the IFA for the Proposed Whitewash Resolutions.

25. CORPORATE GOVERNANCE

The Company has adopted corporate governance practices which are based on the best practices outlined in the Best Practices Guide issued by SGX-ST and the principles in the Corporate Governance Code.

25.1 Overview

In order to perform its functions effectively, the New Board will, after Completion, comprise directors with a wide range of skills, experience and qualities in the fields of construction, engineering, finance and accounting. Such diversity of skills ensures that the New Board is equipped to deal with a range of issues. Upon Completion, the New Board will have five (5) members, comprising two (2) Proposed Executive Directors and three (3) Proposed Independent Directors. Each member of the New Board will hold office pursuant to the provisions of the Articles of Association and thereafter, shall be eligible for re-election unless lawfully disqualified from holding office.

The New Board will have overall responsibility for the corporate governance of the Company so as to protect and enhance long-term shareholder value. It will set the overall strategy for the Company and supervise executive management and monitor their performance. Apart from its statutory responsibilities, the New Board will be responsible for, *inter alia*:

(a) reviewing the financial performance and condition of the Enlarged Group;

(b) approving the Enlarged Group's strategic plans, key operational initiatives, major investment and funding decisions; and

(c) identifying principal risks of the Enlarged Group's business and ensuring the implementation of appropriate systems to manage the risks.

The New Board will hold quarterly meetings every year, with additional meetings for particular matters convened when necessary. The New Board shall also periodically review the internal control and risk management systems of the Company to ensure that there are sufficient guidelines and procedures in place to monitor its operations.

As the proposed executive director and CEO of the Company upon Completion, Mr. Siow will bear responsibilities for the working of the New Board and ensuring the integrity and effectiveness of the governance process of the New Board. He is responsible for representing the New Board to Shareholders. Also, his responsibilities include the charting and reviewing of corporate directions and strategies, which cover areas of marketing and strategic alliances and providing the Company with strong leadership and vision.

25.2 Board committees

The New Board will be assisted by three (3) committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee. Information on these board committees is set out below.

Nominating Committee

The new Nominating Committee will comprise Mr. Aw Eng Hai, Mr. Dominic Tan and Mr. Victor Lye. The chairman of the new Nominating Committee will be Mr. Victor Lye.

Remuneration Committee

The new Remuneration Committee will comprise Mr. Aw Eng Hai, Mr. Dominic Tan and Mr. Victor Lye. The chairman of the new Remuneration Committee will be Mr. Dominic Tan.

Audit Committee

The new Audit Committee will comprise Mr. Aw Eng Hai, Mr. Dominic Tan and Mr. Victor Lye. The chairman of the new Audit Committee will be Mr. Aw Eng Hai.

The Audit Committee, having (i) conducted an interview with Mr. Kenny Zhang and Mr. Goh Tuck Peng; (ii) considered the qualifications and past working experience of Mr. Kenny Zhang and Mr. Goh Tuck Peng; (iii) observed their abilities, familiarity and diligence in relation to the financial matters and information of the Capital City Group; (iv) noted the absence of any negative feedback; and (v) noted the absence of internal control

weaknesses attributable to Mr. Kenny Zhang and Mr. Goh Tuck Peng identified during the internal control review conducted, is of the opinion that Mr. Kenny Zhang and Mr. Goh Tuck Peng are suitable for the position of CFO and FC respectively of the Company. After making all reasonable enquiries, and to the best of their knowledge and belief, nothing has come to the attention of the new Audit Committee to cause them to believe that Mr. Kenny Zhang and Mr. Goh Tuck Peng do not have the competence, character and integrity expected of a CFO and FC respectively of a listed company.

(a) Nominating Committee

The Nominating Committee will meet at least once a year and when necessary. Its focus will be guided by the terms and reference adopted from the Corporate Governance Code. The duties and functions will include:

(i) making recommendations to the New Board on all board appointments and re-nomination having regard to contribution and performance of the Proposed Directors;

(ii) ensuring that all Proposed Directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three (3) years;

(iii) identifying and nominating candidates as necessary for the approval of the New Board and determining annually whether a Proposed Director is independent, guided by guidelines in the Corporate Governance Code;

(iv) deciding if a Proposed Director is able and has adequately carried out his duties as a Proposed Director, particularly where he has multiple board representations; and

(v) deciding how the performance of the New Board may be evaluated and propose objective performance criteria.

(b) Remuneration Committee

The role of the Remuneration Committee will be to review and approve a framework of remuneration policies to determine the remuneration package and terms of employment of the New Board and key executives. The Remuneration Committee will meet at least once a year with all members of the committee in attendance. In its review and approval of the recommendations on remuneration policies and packages for the New Board and key executives, the committee will cover all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind.

The Remuneration Committee's recommendations will be made in consultation with the CEO and submitted for endorsement by the entire New Board.

Remuneration of senior management staff will be reviewed by the Company's Proposed Executive Directors and approved by the Remuneration Committee in consultation with the CEO and the senior management. The review will take into account the value-add and the extent of contribution of the staff towards the financial health and business needs of the Company.

Members of the Remuneration Committee will abstain from deliberations in respect of their own remuneration and the Remuneration Committee shall also be empowered to review human resource management policies of the Enlarged Group. It is also proposed that the remuneration policy of the Enlarged Group seeks, *inter alia*, to align the interests of employees with the Enlarged Group, to reward and encourage performance based on its core values and to ensure that remuneration is commercially competitive to attract and retain talent. Fees of the New Board will be submitted as a lump sum for Shareholders' approval in general meeting.

(c) Audit Committee

After Completion, the Audit Committee will perform, *inter alia*, the following functions:

(i) review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their audit report, their management letter and the management's response;

(ii) review the quarterly, half-yearly and annual financial statements of the Enlarged Group before submission to the New Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

(iii) review the internal control and procedures and ensure co-ordination between the external auditors and internal auditors and the management, review the assistance given by management to the auditors and discuss problems and concerns, if any, arising from the audits, and any matters which the auditors may wish to discuss (in the absence of management where necessary);

(iv) review and discuss with the external auditors and internal auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and the management's response;

(v) consider the appointment or re-appointment of the external auditors, the audit fee, and matters relating to the resignation or dismissal of the external auditors;

(vi) review transactions falling within the scope of interested person transactions and the Catalist Rules, and in particular matters pertaining to acquisitions and realisations;

(vii) review potential conflicts of interest (if any) that may arise from time to time and adopt a suitable framework to resolve any conflicts or potential conflicts of interests;

(viii) review and assess the Company's foreign exchange and hedging policies including whether the Company has in place adequate and appropriate hedging policies and used appropriate instruments for hedging, if applicable;

(ix) monitor on a quarterly basis the compliance by Mr. Siow, Mr. Colin Tan and Mr. Edwin Tan of their respective undertakings, as disclosed in Section 24.5(A) entitled "Interests of the Proposed Directors, Controlling Shareholders of the Company or their respective associates" of this Circular;

(x) review the adequacy and structure of the finance function on an on-going basis and take appropriate remedial actions as may be necessary;

(xi) review the adequacy and effectiveness of the Enlarged Group's internal audit function. Prior to the decommissioning of such annual internal control audits, the Audit Committee is required to report to the New Board on the basis for the decision to decommission the internal control audit. Such audits may be re-initiated by the Audit Committee;

(xii) undertake such other reviews and projects as may be requested by the New Board and report to the board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and

(xiii) generally undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

Apart from the above functions, the Audit Committee will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on the operating results or financial position of the Company. Each member of the Audit Committee will abstain from voting in respect of matters in which he is interested.

The New Board, with the concurrence of the new Audit Committee, is of the opinion that the internal controls of the Enlarged Group, including the financial, operational compliance and information technology controls and risks management systems are adequate and effective.

25.3 Information disclosure

Following Completion, the Company will implement a policy of providing full disclosure of material corporate information as appropriate through announcements on the SGXNET, press releases, annual reports and shareholders' circulars as well as through its interim and annual financial results announcements.

26. MATERIAL CONTRACTS

The following contracts were entered into by the Capital City Group within the two (2) years before the date of this Circular, and were entered into outside the ordinary course of business and are or may be material:

(a) the Achwell JVA, the APSB Approval, the corporate guarantee dated 13 March 2017 provided by AVL in favour of Achwell Property ("**AVL Guarantee**") and the letter of undertaking dated 13 March 2017 provided by AVL in favour of Achwell Property ("**AVL Undertaking**");

(b) the EHSB JVA;

(c) the Perak JVA;

(d) the Management Agreement;

(e) the SPA and the letter of extension dated 8 December 2016;

(f) the sale and purchase agreement entered into between the shareholders of CCP and AVL dated 6 January 2017 pursuant to the Restructuring Exercise;

(g) the sale and purchase agreement entered into between the shareholders of CCV and REGL dated 6 January 2017 pursuant to the Restructuring Exercise;

(h) the sale and purchase agreement entered into between the shareholders of CCF and FSVL dated 6 January 2017 pursuant to the Restructuring Exercise;

(i) the Deed and the Restated AVL SPA;

(j) the REGL SPA; and

(k) the FSVL SPA.

Please refer to Appendix G to this Circular for a summary of the material terms of the Achwell JVA, the APSB Approval, the AVL Guarantee, the AVL Undertaking, the EHSB JVA, the Perak JVA and the Management Agreement.

27. MATERIAL LITIGATION

As at the Latest Practicable Date, the Capital City Group is not engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated, which may have or have had in the 12 months before the date of this Circular, a material effect on its financial position or profitability, and the Capital City Group Directors have no knowledge of any proceedings pending or threatened against the Enlarged Group or any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or profitability of the Enlarged Group.

28. EXCHANGE CONTROLS

28.1 Singapore

Currently, there are no exchange control restrictions on the repatriation of capital and the remittance of profits into or out of Singapore.

28.2 Cayman Islands

There are no exchange control regulations or currency restrictions under the currently applicable laws of the Cayman Islands.

28.3 British Virgin Islands

There are no exchange control regulations or currency restrictions under the currently applicable laws of the BVI.

28.4 Malaysia

With the coming into effect of the Financial Services Act 2013 and the Islamic Financial Services Act 2013, all previously issued Exchange Control Notices and related circulars were revoked by BNM effective from 30 June 2013. In its place, BNM in exercising its powers under the Financial Services Act 2013 and the Islamic Financial Services Act 2013 issued seven (7) new notices, setting out guidelines on transactions that require the approval of BNM which are otherwise prohibited under the Financial Services Act 2013 and the Islamic Financial Services Act 2013.

Consistent with the previous Exchange Control Notices, foreign direct investors continue to have the freedom to repatriate their investment in ringgit assets including capital, profit and dividends upon conversion to foreign currency, without being subject to any levy. There are also no restrictions on the repatriation of capital, profits, dividends, interests, fees or rental incomes by foreign direct investors or portfolio investors.

29. TAXATION

29.1 Singapore

The following is a discussion of certain material matters relating to Singapore income tax, capital gains tax, stamp duty, estate duty and goods and services tax consequences in relation to the purchase, ownership and disposal of the shares of the Company based on the current tax laws in Singapore.

It is based on laws, regulations and interpretations now in effect and available as at the Latest Practicable Date. The laws, regulations and interpretations, however, may change at any time, and any change could be retroactive. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts of Singapore could later disagree with the explanations or conclusions set out below.

This summary is not intended to constitute a complete or exhaustive description of all of the Singapore tax considerations that may be relevant to a decision to purchase, hold or dispose of the shares of the Company and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. It is not intended to be and does not constitute legal or tax advice.

(a) Singapore income tax

Individual income tax

An individual is regarded as a tax resident in Singapore in a year of assessment if, in the preceding calendar year, he was physically present in Singapore or exercised an employment (other than as a director of a company) in Singapore for 183 days or more, or if he ordinarily resides in Singapore.

Individual taxpayers, whether resident or not, are subject to Singapore income tax on income accrued in or derived from Singapore. All foreign-source income received (except for such income received through a partnership in Singapore) in Singapore are generally exempt from Singapore income tax.

Singapore tax-resident individuals are subject to tax based on progressive rates, currently ranging from 0% to 22.0%.

Singapore non-tax individuals are generally subject to tax at 22.0% except for Singapore employment income which is subject to tax at a flat rate of 15.0%, without deduction for personal relief, or at the progressive resident rate, with deduction for personal reliefs, whichever is higher.

Corporate income tax

A company is considered to be tax resident in Singapore if the control and management of its business is exercised in Singapore. Normally, the control and management of a company is vested in its board of directors. Hence a company's control and management is generally regarded as exercised at the place where the company's board of directors meets regularly to hold their board meetings where strategic policies are discussed and formulated.

Corporate taxpayers are subject to Singapore income tax on income accrued in or derived from Singapore and foreign-source income received or deemed to be received in Singapore from outside Singapore (unless otherwise exempted). Foreign-source income in the form of dividends, branch profits and services income received or deemed to be received in Singapore by Singapore tax resident companies are exempt from tax if certain prescribed conditions are met.

The prevailing corporate income tax rate in Singapore is 17.0% with a partial tax exemption for normal chargeable income of up to S$300,000 as follows:

(i) 75.0% exemption of up to the first S$10,000; and

(ii) 50.0% exemption of up to the next S$290,000.

For the year of assessment 2017, companies will be granted a 5.0% corporate tax rebate capped at S$20,000.

(b) Dividend distributions

Singapore currently adopts the one-tier corporate taxation system ("**one-tier system**"). Under the one-tier system, dividends distributed by a company resident in Singapore to its shareholders are tax exempt (one-tier) dividends. One-tier dividends are exempt from Singapore income tax in the hands of all shareholders, regardless of the tax residence status or the legal form of the shareholders.

Withholding taxes

Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders.

Foreign shareholders are advised to consult their own tax advisers to take into account the tax laws of their respective home countries/countries of residence and the applicability of any double taxation agreement which their country of residence may have with Singapore.

(c) Capital gains tax

There is currently no tax on capital gains in Singapore.

Gains derived from the disposal of the shares of the Company that are acquired for long-term investment purposes are generally considered to be capital in nature and not subject to Singapore tax.

On the other hand, where the taxpayer is deemed by the Inland Revenue Authority of Singapore to be carrying on a trade or business in Singapore of dealing in shares, the gains from the disposal of shares are likely to be regarded as revenue in nature and subject to Singapore income tax. Shareholders should consult their own professional advisers on the Singapore tax consequences that may apply to their individual circumstances.

Gains derived from the disposal of ordinary shares by companies during the period from 1 June 2012 to 31 May 2022 (both dates inclusive) will be exempt from tax in Singapore (the "**Tax Certainty Rules**"), if immediately prior to the date of disposal:

- the divesting company legally and beneficially owns at least 20.0% of the ordinary shares in the investee company; and

- the divesting company maintains the minimum 20.0% ordinary shareholding for a minimum period of at least 24 months prior to the date of disposal.

The Tax Certainty Rules do not apply in certain circumstances.[(1)]

For share disposals that do not satisfy the above conditions, the tax treatment on any gains/losses that may arise from the disposal of shares (i.e. whether the gains/losses are capital or revenue in nature) would continue to be determined based on a consideration of the specific facts and circumstances of the case and by reference to established case law principles.

In addition, shareholders who adopt the tax treatment to be aligned with the International Financial Reporting Standard 39 Financial Instruments – Recognition and Measurement may be taxed on fair value gains or losses (not being gains or losses in the nature of capital) even though no sale or disposal of the shares is made. Shareholders who may be subject to such tax treatment should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of the shares of the Company.

Foreign sellers are advised to consult their own tax advisers to take into account the applicable tax laws of their respective home countries or countries of residence as well as the provisions of any applicable double taxation agreement.

Note:

(1) The Tax Certainty Rules do not apply to the disposal of shares in an unlisted investee company that is in the business of trading or holding Singapore immovable properties (other than the business of property development) or disposal of shares where the gains or profits of which are included as part of the income of a company referred to in Section 26 of the Income Tax Act (Chapter 134) of Singapore (which applies generally to insurers) or disposal of shares by a partnership, limited partnership or limited liability partnership one or more of the partners of which is a company or are companies.

(d) Bonus shares

Any bonus shares received by the Shareholders are generally not taxable.

(e) Stamp duty

No stamp duty is payable on the subscription and issuance of the shares of the Company.

Where existing shares of the Company evidenced in certificate form are acquired in Singapore, stamp duty is payable on the instrument of transfer of the shares at the rate of 0.2% of the consideration paid, or market value of the shares, whichever is higher. The purchaser is liable for stamp duty, unless otherwise agreed.

No stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require instruments of transfer to be executed) or if the instrument of transfer is relating to transfer of shares in a company incorporated outside Singapore (foreign company) and where the transfer document is lodged for registration in a share register kept outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is subsequently received in Singapore.

Stamp duty is not applicable to electronic transfers of the shares of the Company through the CDP system.

(f) Estate duty

Singapore estate duty has been abolished since 15 February 2008.

(g) Goods and services tax ("GST")

The sale of the shares of the Company by a GST-registered investor belonging in Singapore through a SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST.

Any GST (for example, GST on brokerage) incurred by the GST-registered investor in connection with the making of such exempt supply is generally not recoverable and will become an additional cost to the investor unless the investor satisfies certain conditions prescribed under the GST legislation or certain GST concessions.

Where the shares are sold by a GST-registered investor to a person belonging outside Singapore (and who is outside Singapore at the time of supply), the sale is a zero-rated supply (i.e. subject to GST at 0%). Consequently, any GST (for example,

GST on brokerage) incurred by him in the making of this zero-rated supply for the purpose of his business will, subject to the provisions of the GST legislation, be recoverable as an input tax credit in his GST returns.

Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with the purchase and sale of the shares of the Company.

Services such as brokerage and handling services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase or sale of the shares will be subject to GST at the prevailing standard rate (currently 7.0%). Similar services rendered contractually to an investor belonging outside Singapore should qualify for zero-rating (i.e. subject to GST at 0%) provided that the investor is not physically present in Singapore at the time the services are performed and the services do not directly benefit a person who belongs in Singapore.

Shareholders, whether or not domiciled in Singapore, should consult their own tax advisers regarding the Singapore tax consequences of their acquisition, ownership and/or disposal of the shares of the Company.

29.2 Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. Dividends remitted to shareholders resident outside the Cayman Islands will not be subject to Cayman Islands withholding tax. There are no reciprocal tax treaties between the Cayman Islands and Singapore.

29.3 British Virgin Islands

A BVI business company is exempt from all provisions of the Income Tax Act of the BVI (including with respect to all dividends, interests, rents, royalties, compensations and other amounts payable by the company to persons who are not persons resident in the BVI).

Capital gains realised with respect to any shares, debt obligations or other securities of the company by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Act of the BVI. As of 1 January 2005, the Payroll Taxes Act, 2004 came into force; however, it will not apply to a BVI business company except to the extent that the company has employees (and deemed employees) rendering services to the company wholly or mainly in the BVI.

No estate, inheritance, succession or gift tax is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of the Company, save for interest payable to or for the benefit of an individual resident in the European Union.

No stamp duty is payable in the BVI on a transfer of shares, debt obligations or other securities in a BVI business company which is not a land owning company. A company is a land owning company if it, or any of its subsidiaries, has an interest in any land in the BVI.

AVL, REGL and FSVL and all dividends, interest, rents, royalties, compensations and other amounts paid by AVL, REGL and/or FSVL to persons who are not persons resident in the BVI are exempt from the provisions of the Income Tax Act in the BVI and any capital gains realised with respect to any shares, debt obligations or other securities of AVL, REGL and/or FSVL by persons who are not persons resident in the BVI are exempt from all forms of taxation in the BVI. As of 1 January 2005, the Payroll Taxes Act, 2004 came into force. It will not apply to AVL, REGL and FSVL, except to the extent that any of AVL, REGL or FSVL has employees (and deemed employees) rendering services to AVL, REGL or FSVL wholly or mainly in the BVI. None of AVL, REGL or FSVL has at present any employees in the BVI and has no intention of having any employees in the BVI.

29.4 Malaysia

The following discussion describes the material Malaysian tax on dividend and tax on gains from sale of shares in CCP, CCV and CCF.

(a) Dividend distributions

Under Malaysian tax law, income tax is charged on income accruing in or derived from Malaysia or received in Malaysia from outside Malaysia. However, there is a tax exemption for persons (other than a resident company carrying on the business of banking, insurance, sea and air transport) on income derived from outside Malaysia and received in Malaysia. Prior to January 2014, dividends paid or credited out of a Section 108 Account by a company which is tax resident in Malaysia ("**Malaysian resident company**") would be deemed to be derived from Malaysia and are thus taxable in Malaysia.

A company is tax resident in Malaysia if the control and management of its business are exercised in Malaysia.

Prior to 1 January 2008, Malaysia adopted the imputation system which required the imposition of tax on the profit at corporate level and again at shareholders level. The principle behind the imputation system is to overcome the double taxation of income. Under the imputation system, companies resident in Malaysia are required to deduct tax at source at the prevailing corporate tax rate on dividends paid to their shareholders. The same income would be taxed twice if the credit is not imputed to the shareholders.

Under this system, a Malaysian resident company is required to deduct tax at the applicable corporate tax rate from such dividends paid or credited to its shareholders in the basis period for the relevant year of assessment ("**YA**"). Shareholders who received such dividends are entitled to claim the tax so deducted as Section 110 set-off against their tax payable.

Resident companies are currently taxed at the rate of 25.0% (reduced to 24.0% with effect from YA 2016)[2] while those with paid-up capital of RM2.5 million or less are taxed at the following scale rates[1][2]:

Chargeable income	YA 2016	Effective YA 2017
The first RM500,000	19.0%	18.0%
In excess of RM500,000	24.0%	24.0%

Notes:

(1) These rates do not apply if the company is directly or indirectly related by more than 50.0% in terms of paid-up ordinary share capital, to another company that has a paid-up ordinary capital of more than RM2.5 million at the beginning of a basis period.

(2) It has been proposed that for the 2017 and 2018 YAs only, the 24.0% corporate tax rate be reduced by one (1) to four (4) percentage points, based on an increase in chargeable income (as compared to the immediate preceding YA). This reduced rate should be available to all Malaysian companies. Details of the above proposal have not yet been released. It is expected that there may be further qualifications and conditions imposed. This reduced rate (where relevant) will only apply on the increased chargeable income.

Dividends paid by a Malaysian resident company from its tax-exempt income account are tax-exempt in the hands of its shareholders under Malaysian tax law.

There is no withholding tax on dividends in Malaysia.

(b) Single tier system

The single-tier tax system replaced the imputation system with effect from YA 2008. Under this system, corporate income is taxed at corporate level and this is a final tax. No tax is to be deducted from dividends paid or distributed to shareholders and these dividends are exempt in the hands of shareholders under Malaysian tax law.

A six (6) year transitional period for companies to move to the single-tier tax system ended on 31 December 2013 and the tax credit account is deemed as nil at the end. During the transitional period, the imputation system would continue to apply on the company until its existing tax credit account was fully utilised or the company elects to move to the single-tier tax system.

As the Capital City Group has elected to move to the single-tier tax system, the imputation system is no longer applicable to the Capital City Group.

(c) Gains on disposal of shares in a Malaysian company

There is no capital gains tax in Malaysia except for RPGT which is charged upon gains arising from the disposal of real property in Malaysia or shares in a real property company incorporated in Malaysia. A real property company is defined as:

(a) a controlled company which, as at 21 October 1988, owns real property or shares or both, the defined value of which is not less than 75.0% of the value of its total tangible assets; or

(b) a controlled company to which sub-paragraph (a) is not applicable, but which, at any date after 21 October 1988, acquires real property or shares or both whereby the defined value of real property or shares or both owned at that date is not less than 75.0% of the value of its total tangible assets.

Any gains from the sale of the shares in a Malaysian company not being a real property company would not be subject to RPGT in Malaysia. Any gains from the sale of shares in a Malaysian company by a person who deals in shares may be regarded as revenue (as opposed to capital) in nature and be subject to income tax under the Malaysia Income Tax Act, 1967.

The current rates of RGPT are as follows:

	Rates of RPGT (%)		
	Disposal by a company	**Disposal by an individual who is a Malaysian citizen or permanent resident**	**Disposal by an individual who is not a Malaysian citizen or permanent resident**
Disposal within two (2) years after date of acquisition	30.0	30.0	30.0
Disposal in the 3rd year after date of acquisition	30.0	30.0	30.0
Disposal in the 4th year after date of acquisition	20.0	20.0	30.0
Disposal in the 5th year after date of acquisition	15.0	15.0	30.0
Disposal in the 6th year after date of acquisition or thereafter	5.0	–	5.0

(d) Stamp duty

Stamp duty is chargeable on the instrument of transfer and is payable by the buyer/transferee (unless agreed otherwise between the transferor and transferee). Disposal of any property (except stock, shares or marketable securities) is subject to stamp duty, chargeable at ad-valorem rates of 1.0% on the first RM100,000, 2.0% on the next RM400,000 and 3.0% on the value in excess of RM500,000. It is proposed that effective from 1 January 2018, the rate of duties for value in excess of RM1 million shall be 4.0%.[(1)]

Note:

(1) Details of the above proposal have not yet been released and there may be further qualifications and conditions imposed.

The sale of stock, shares or marketable securities is subject to stamp duty of 0.3% of the money value of the consideration or the value of the shares, whichever is higher.

Instruments executed in Malaysia which are chargeable with duty must be stamped within 30 days from the date of execution. When the instruments are executed outside Malaysia, they must be stamped within 30 days after they have first been received in Malaysia. Currently, the maximum penalty imposed for late stamping is RM100 or 20.0% of stamp duty underpaid, whichever is higher.

A bill to amend the Stamp Act 1949 was recently released. This bill has not yet been gazetted into law. The impact of the bill has not been considered in this summary.

(e) Goods and services tax

With effect from 1 April 2015, GST has been introduced at the rate of 6.0%. GST shall be applicable on all taxable supply of goods or services effected in the course or furtherance of business in Malaysia and also covers within its purview importation of goods or services into Malaysia.

Certain goods or services are subject to GST at 6.0%. For example, this applies to exports, supply of goods to designated areas, international services (subject to conditions) and goods or services which are specifically prescribed as being zero-rated. Under the GST (Exempt Supply) Order 2014, certain goods or services such as sale of residential property and transfer of ownership of any securities or derivatives relating to securities are exempt from GST. Further, under the GST (Relief) Order 2014, certain persons are relieved from charging GST subject to conditions.

In terms of the GST (Exempt Supply) Order 2014, the supply of services relating to financial services shall not be deemed to be an exempt supply (i.e. subject to GST) to the extent that the consideration payable for the usage or provision of facilities, arranging, broking, underwriting or advising on any of the supplies specified therein, is any fee, commission, merchant's discount or other similar charge. Hence, for foreign and Malaysian investors buying Malaysian issued securities from brokers belonging in Malaysia, the fee or commission charged by such brokers shall be subject to GST.

30. NO MATERIAL EFFECT ON FINANCIAL POSITION

Save as disclosed in this Circular, the Directors and the Capital City Group Directors are not aware of any event which has occurred since 1 October 2016 and up to the Latest Practicable Date, which may have a material effect on the financial position and results of the Capital City Group and the Enlarged Group.

31. ADVICE OF THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the conditions imposed by the SIC, the Directors have appointed Xandar as the IFA to advise the Directors in respect of the Proposed Whitewash Resolutions.

The letter from the IFA to the Directors for the Proposed Whitewash Resolutions containing its advice in full, is set out in Appendix A to this Circular, and Shareholders' attention is drawn to it.

Taking into consideration the factors set out in its letter, the IFA is of the opinion that (i) on balance, the terms of the Proposed AVL Acquisition, being the subject of the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution, are fair and reasonable; and (ii) the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution are not prejudicial to the interests of the Independent Shareholders.

Accordingly, the IFA advises the Directors to recommend to the Independent Shareholders to vote in favour of the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution.

32. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders of the Company in the issued and paid-up share capital of the Company as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained pursuant to Cayman Companies Law are as follows:

	Direct interest		Deemed interest	
Name	**Number of Shares**	**%**	**Number of Shares**	**%**
Directors				
Dr. Wang Xiaoning	471,768	0.07	–	–
Dr. Loh Chang Kaan	161,749	0.02	–	–
Mr. Aw Eng Hai	–	–	–	–
Mr. Tay Yew Khem	–	–	–	–
Substantial Shareholders				
Tritech	386,948,000	56.61%	–	–
Luminor Pacific Fund 1 Ltd	61,640,802	9.02%	–	–

Save as disclosed below and recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders of the Company, there have been no significant changes in the ownership in the Shares held by the Directors and Substantial Shareholders over the last three (3) years prior to the Latest Practicable Date:

	As at 30 June 2014[1]				As at 30 June 2015[2]				As at 30 June 2016[3]				As at the Latest Practicable Date[4]			
Name	Direct interest	%	Deemed interest	%	Direct interest	%	Deemed interest	%	Direct interest	%	Deemed interest	%	Direct interest	%	Deemed interest	%
Directors																
Dr. Wang Xiaoning	–	–	386,948,000	67.70	–	–	386,948,000	62.91	471,768	0.07	–	–	471,768	0.07	–	–
Dr. Loh Chang Kaan	–	–	–	–	–	–	–	–	161,749	0.02	–	–	161,749	0.02	–	–
Mr. Aw Eng Hai	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Tay Yew Khem	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Substantial Shareholders																
Tritech	386,948,000	67.70	–	–	386,948,000	62.91	–	–	386,948,000	56.61	–	–	386,948,000	56.61	–	–
Luminor Pacific Fund 1 Ltd	118,147,000	20.67	–	–	61,625,730	10.02	–	–	61,640,802	9.02	–	–	61,640,802	9.02	–	–

Notes:

(1) Based on 571,542,003 Shares of the Company in issue as at 30 June 2014.

(2) Based on 615,042,003 Shares of the Company in issue as at 30 June 2015.

(3) Based on 683,542,003 Shares of the Company in issue as at 30 June 2016.

(4) Based on 683,542,003 Shares of the Company in issue as at the Latest Practicable Date.

32.2 Interests of Directors and Substantial Shareholders in the Proposed Transactions

Save as disclosed in this Circular, none of the Directors and as far as the Directors are aware, none of the Substantial Shareholders of the Company has any interest, whether direct or indirect, in the Proposed Transactions.

33. INTERESTS OF EXPERTS

None of the experts named in this Circular is employed on a contingent basis by the Company and/or the Capital City Group, or has a material interest, whether direct or indirect, in the Shares, the AVL Shares, the REGL Shares or the FSVL Shares, or has a material economic interest, whether direct or indirect, in the Company and/or the Capital City Group, including an interest in the Proposed Transactions.

34. DIRECTORS' RECOMMENDATIONS

Having considered and reviewed, amongst other things, the terms of the Deed and the Restated AVL SPA, the REGL SPA and the FSVL SPA, the rationale for the Proposed Transactions, the risk factors and other investment considerations, and all other relevant facts set out in this Circular, the Directors are of the opinion that the Proposed Transactions are not prejudicial to the Shareholders and are in the interest of the Company, and accordingly, they recommend that Shareholders vote in favour of all of the resolutions in relation to the Proposed Transactions as set out in the Notice of EGM dated 29 March 2017 contained in this Circular.

35. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages N-1 to N-6 of this Circular, will be held at 31 Changi South Avenue 2, Singapore 486478 on 21 April 2017 at 9.00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the ordinary and special resolutions set out in the Notice of EGM.

36. ACTION TO BE TAKEN BY SHAREHOLDERS

A Shareholder who is unable to attend the EGM and wishes to appoint a proxy or proxies to attend and vote on his behalf should complete, sign and return the Shareholder Proxy Form enclosed with this Circular in accordance with the instructions printed thereon as soon as possible and in any event so as to reach the office of the Company's Share Registrar and Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time fixed for the EGM. The appointment of a proxy by a Shareholder will not prevent him from attending and voting at the EGM in place of his proxy should he subsequently wish to do so.

Under the Cayman Companies Law, only a person who agrees to become a shareholder of a Cayman Islands company and whose name is entered in the register of members of such company is considered a member with rights to attend and vote at general meetings of such company.

Accordingly, under Cayman Islands laws, a depositor holding Shares through the CDP would not be recognised as a shareholder of the Company, and would not have the right to attend and vote at general meetings convened by the Company. In the event that a

depositor wishes to attend and vote at the EGM, the depositor would have to do so through CDP appointing him as a proxy, pursuant to the Articles of Association and the Cayman Companies Law.

Pursuant to Article 77 of the Articles of Association, unless the CDP specifies otherwise in a written notice to the Company, the CDP shall be deemed to have appointed the depositors who are individuals and whose names are shown in the records of the CDP as at a time not earlier than 48 hours prior to the time of the relevant general meeting supplied by the CDP to the Company as the CDP's proxies to vote on behalf of the CDP at a general meeting of the Company. Notwithstanding any other provisions in the Articles of Association, the appointment of proxies by virtue of Article 77 shall not require an instrument of proxy or the lodgement of any instrument of proxy.

Accordingly, depositors (other than depositors which are corporations) whose names are listed in the depository register as at 48 hours before the time of the EGM may attend and vote as CDP's proxies at the EGM without having to complete or return any form of proxy. A depositor which is a corporation and who wishes to attend and vote at the EGM must complete and return the attached Depositor Proxy Form, for the nomination of person(s) to attend and vote at the EGM on its behalf as CDP's proxy, in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Company's Share Registrar and Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time fixed for the EGM.

If an individual depositor is unable to attend the EGM personally and wishes to appoint nominee(s) to attend the meeting and vote on his behalf, he must complete, sign and return the attached Depositor Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Company's Share Registrar and Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time fixed for the EGM.

The completion and return of the Depositor Proxy Form by a depositor (who is an individual) will not prevent him from attending and voting in person at the EGM as a proxy of CDP if he subsequently wishes to do so, and in which event the Depositor Proxy Form submitted bearing his name shall be deemed to be revoked.

37. RESPONSIBILITY STATEMENTS OF THE DIRECTORS, THE PROPOSED DIRECTORS, THE CAPITAL CITY GROUP DIRECTORS AND THE VENDORS

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

The Proposed Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Enlarged Group, the AVL Shareholders, the REGL Shareholders and the FSVL Shareholders, and the Proposed Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Proposed Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

The AVL Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular about the Proposed AVL Acquisition, AVL, its subsidiaries and the Enlarged Group (insofar as they relate to AVL and its subsidiaries), and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed AVL Acquisition, AVL, its subsidiaries and the Enlarged Group (insofar as they relate to AVL and its subsidiaries), and the AVL Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the AVL Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

The REGL Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular about the Proposed REGL Acquisition, REGL, its subsidiary and the Enlarged Group (insofar as they relate to REGL and its subsidiary), and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed REGL Acquisition, REGL, its subsidiary and the Enlarged Group (insofar as they relate to REGL and its subsidiary), and the REGL Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the REGL Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

The FSVL Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular about the Proposed FSVL Acquisition, FSVL, its subsidiary and the Enlarged Group (insofar as they relate to FSVL and its subsidiary), and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed FSVL Acquisition, FSVL, its subsidiary and the Enlarged Group (insofar as they relate to FSVL and its subsidiary), and the FSVL Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the FSVL

Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

Tritech accepts full responsibility for the accuracy of the information given in this Circular, and confirms after making all reasonable enquiries, that to the best of its knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and Tritech is not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of Tritech has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

ACIL accepts full responsibility for the accuracy of the information given in this Circular, and confirms after making all reasonable enquiries, that to the best of its knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and ACIL is not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of ACIL has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

38. SPONSOR AND FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT

To the best of the Sponsor and Financial Adviser's knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company, its subsidiaries and the Capital City Group, and the Sponsor and Financial Adviser is not aware of any facts the omission of which would make any statement in this Circular misleading.

39. CONSENTS

Xandar, the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto, Appendix A to this Circular and the statements made by Xandar which can be found in this Circular, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

Ernst & Young LLP, the auditors to the Company and the independent auditors to the Capital City Group and the reporting accountants to the Enlarged Group, have given and have not withdrawn their respective written consents to the issue of this Circular with the inclusion of their respective names and all references thereto and Appendices B, C and D to this Circular in the form and context in which they respectively appear in this Circular and to act in such respective capacities in relation to this Circular.

PPCF, the Sponsor, Financial Adviser and the Placement Agent has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

SREC, the Independent Property and Business Valuer, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto, the reports set out in Appendix E and Appendix F to this Circular and the statements made by SREC which can be found in this Circular, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

Ilham Lee Advocates & Solicitors, the Legal Adviser to the Company as to Malaysia Law, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto and the statements made by Ilham Lee Advocates & Solicitors which can be found in this Circular in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

Each of the Legal Adviser to the Company as to Singapore Law, the Legal Adviser to the Company as to Cayman Islands Law and British Virgin Islands Law, the Legal Adviser to the Capital City Group, the Principal Banker to the Company, the Principal Banker to the Capital City Group and the Share Registrar and Share Transfer Agent do not make, or purport to make, any statement in this Circular or any statement upon which a statement in this Circular is based and make no representation express or implied regarding, and to the maximum extent permitted by law expressly disclaim and take no responsibility for, any statements, information or opinion in or any omission from this Circular.

40. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company, at 2 Kaki Bukit Place, #07-00 Eunos Techpark, Singapore 416180, during normal business hours for a period of six (6) months from the date of this Circular:

(a) the existing Memorandum and Articles of Association of the Company;

(b) the memorandum and articles of association of each of the Capital City Group Companies;

(c) the Service Agreements, the CFO Service Agreement and the FC Service Agreement;

(d) the letter from the IFA to the Directors in respect of the Proposed Whitewash Resolutions as set out in Appendix A to this Circular;

(e) the Combined Financial Statements of Altimate Ventures Limited and its Subsidiaries with Independent Auditor's Report for the Financial Years Ended 30 June 2014, 2015 and 2016 as set out in Appendix B to this Circular;

(f) the Unaudited Interim Condensed Combined Financial Statements of Altimate Ventures Limited and its Subsidiaries for the Three-Month Period Ended 30 September 2016 as set out in Appendix C to this Circular;

(g) the Unaudited Pro Forma Combined Financial Information of the Enlarged Group for the Financial Years Ended 30 June 2014, 2015 and 2016 and the Three-Month Period Ended 30 September 2016 as set out in Appendix D to this Circular;

(h) the notes, reports or information relating to the financial statements in Appendices B, C and D to this Circular;

(i) the Property Valuation Certificate set out in Appendix E to this Circular and the full property valuation report dated 30 September 2016;

(j) the Independent Equity Valuation Certificate set out in Appendix F to this Circular and the full independent equity valuation letter dated 29 March 2017;

(k) the material contracts set out in Section 26 entitled "Material Contracts" of this Circular; and

(l) the consents set out in Section 39 entitled "Consents" of this Circular.

41. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this Circular.

Yours faithfully

For and on behalf of the Board of Directors of
Terratech Group Limited
Dr. Loh Chang Kaan
Chief Executive Officer and Executive Director

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APPENDIX A – LETTER FROM THE IFA TO THE DIRECTORS IN RESPECT OF THE PROPOSED WHITEWASH RESOLUTIONS

29 March 2017

Terratech Group Limited
2 Kaki Bukit Place #07-00
Eunos Techpark
Singapore 416180

Attention: The Board of Directors

Dear Sirs

LETTER FROM XANDAR CAPITAL PTE. LTD. TO THE BOARD OF DIRECTORS OF TERRATECH GROUP LIMITED IN RESPECT OF THE PROPOSED WHITEWASH RESOLUTIONS RELATING TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP CAPITAL OF ALTIMATE VENTURES LIMITED AS A REVERSE TAKEOVER TRANSACTION

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to Shareholders of Terratech Group Limited (the "**Company**") dated 29 March 2017 (the "**Circular**").*

1. INTRODUCTION

On 9 June 2016 (the "**Announcement Date**"), the Company announced that it had, on the same day, entered into a sale and purchase agreement (the "**SPA**") with Mr. Siow Chien Fu ("**Mr. Siow**"), Mr. Tan June Teng Colin ("**Mr. Colin Tan**") and Mr. Tan Ping Huang Edwin ("**Mr. Edwin Tan**") (collectively, the "**AVL Shareholders**") to acquire the entire issued and paid-up share capital of Capital City Property Sdn. Bhd. ("**CCP**") for an aggregate consideration of S$300,000,000 (the "**AVL Consideration**"), to be fully satisfied by the allotment and issue of new consolidated ordinary shares in the capital of the Company (the "**Consideration Shares**") to the AVL Shareholders and/or their Nominee and Ample China International Limited ("**ACIL**") at the issue price of S$0.28 for each Consideration Share (the "**Issue Price**") (the "**Proposed AVL Acquisition**"). An aggregate of 1,071,428,569 Consideration Shares will be issued by the Company in satisfaction of the AVL Consideration.

To comply with the minimum issue price of S$0.20 each under Rule 429 of the Listing Manual (Section B: Rules of Catalist) (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Company will be undertaking a share consolidation to consolidate every four (4) shares in the capital of the Company ("**Shares**"), as at a books closure date to be determined, into one (1) consolidated share (the "**Proposed Share Consolidation**"). The 1,071,428,569 Consideration Shares and Issue Price of S$0.28 are based on the consolidated basis.

On 8 December 2016, the Company announced that it had, on the same day, signed a letter of extension with the AVL Shareholders, to amend the SPA to extend the back-stop date of the Proposed AVL Acquisition from 9 December 2016 to 9 June 2017 (the "**Back-Stop Date**").

On 7 January 2017, the Board announced that the Company and the AVL Shareholders had agreed to restructure the Proposed AVL Acquisition such that the acquisition of CCP shall be via the acquisition of all of the issued and paid-up shares in Altimate Ventures Limited ("**AVL**"), a business company incorporated in the British Virgin Islands, which in turn will hold the entire issued and paid-up share capital of CCP.

Accordingly, the Board announced that the Company had on 6 January 2017 entered into:

(a) an amending and restatement deed (the "**Deed**") with the AVL Shareholders, to amend and restate in its entirety the terms of the SPA (the SPA, as amended and restated by the Deed, shall be referred to hereinafter as the "**Restated AVL SPA**") to acquire all of the issued and paid-up shares in AVL instead of CCP as at the AVL Completion Date;

(b) a conditional sale and purchase agreement (the "**REGL SPA**") with Mr. Siow and Mr. Tham Kok Peng (collectively, the "**REGL Shareholders**") to acquire all of the issued and paid-up shares in Rise Expedition Global Limited ("**REGL**") as at the REGL Completion Date from the REGL Shareholders for an aggregate amount of US$200 to be satisfied in cash (the "**Proposed REGL Acquisition**"); and

(c) a conditional sale and purchase agreement (the "**FSVL SPA**") with Mr. Siow and Mr. Tham Kok Peng (the "**FSVL Shareholders**") to acquire all of the issued and paid-up shares in First Star Ventures Limited ("**FSVL**") as at the FSVL Completion Date from the FSVL Shareholders for an aggregate amount of US$200 to be satisfied in cash (the "**Proposed FSVL Acquisition**").

Pursuant to the Restated AVL SPA, the Company will acquire the entire issued and paid-up share capital of AVL, which will, at Completion (being the completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition), hold the entire issued and paid-up share capital of CCP, for the AVL Consideration, to be satisfied by the allotment and issue of the Consideration Shares to the AVL Shareholders and/or its Nominees and ACIL at the Issue Price.

The Proposed AVL Acquisition is the only acquisition, the consideration of which will be satisfied entirely by the allotment and issue of new shares in the capital of the Company. The AVL Consideration represent 867.4% of the Company's market capitalisation as at 7 June 2016 (being the Market Day immediately preceding the Announcement Date) and the Consideration Shares (on a pre-consolidated basis) represent 627.0% of the existing issued share capital of the Company.

As at the Latest Practicable Date, the AVL Shareholders and/or their Nominees as well as parties acting in concert with each of them (collectively, the "**Obliged Parties**") do not hold any Shares or instruments convertible into, rights to subscribe for and options in respect of the Shares.

Mr. Siow will hold 501,785,713 Consolidated Shares representing 40.4% of the enlarged issued share capital of the Company upon Completion. Mr. Colin Tan and Mr. Edwin Tan are brothers (the "**Tan Concert Parties**") and will collectively hold 501,785,714 Consolidated Shares representing 40.4% of the enlarged share capital of the Company upon Completion.

As the Obliged Parties will have each acquire more than 30% of the Company's voting rights upon Completion, pursuant to Rule 14 of the Singapore Code on Takeovers and Mergers (the "**Code**") and Section 139 of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**"), the Obliged Parties would be required to make a general offer for all the remaining Consolidated Shares in issue not already owned, controlled or agreed to be acquired by them, and at the highest price paid or agreed to be paid (as adjusted for the Proposed Share Consolidation) by the Obliged Parties for the Shares (or the Consolidated Shares where applicable) in the past six (6) months preceding the date of the allotment and issue of the Consideration Shares, unless such obligation is waived by the Securities Industry Council (the "**SIC**").

Under the terms of the Restated AVL SPA, it is a condition precedent to the Proposed AVL Acquisition that the SIC grants the Obliged Parties a waiver of the obligation to make a mandatory general offer under Rule 14 of the Code arising from the allotment and issue of the Consideration Shares (and such waiver not having revoked, repealed or amended as of the completion date of the Proposed AVL Acquisition (the "**AVL Completion Date**")), and such waiver being subject to:

(i) any conditions that the SIC may impose, such conditions being acceptable to the AVL Shareholders and the Company (to the extent that any condition imposed relates to matters to be fulfilled or complied with by the Company), and to the extent that any such conditions are required to be fulfilled on or before the AVL Completion Date, they are so fulfilled; and

(ii) the Proposed Whitewash Resolutions (as defined below) having been passed by the shareholders of the Company (the "**Shareholders**") at the extraordinary general meeting of the Company (the "**EGM**").

The SIC had, on 13 March 2017, granted the following:

(a) the waiver of the requirement to make a mandatory general offer for the Consolidated Shares in issue not already owned or controlled by Mr. Siow and his concert parties, subject to various conditions including, *inter alia*, the passing of an ordinary resolution by the Shareholders, by way of poll, to waive their rights to receive a general offer from Mr. Siow and his concert parties (the "**Siow Whitewash Resolution**") and the appointment of an independent financial adviser ("**IFA**") to advise Independent Shareholders on the Siow Whitewash Resolution; and

(b) the waiver of the requirement to make a mandatory general offer for the Consolidated Shares in issue not already owned or controlled by the Tan Concert Parties and their concert parties, subject to various conditions including, *inter alia*, the passing of an ordinary resolution by the Shareholders, by way of poll, to waive their rights to receive a general offer from the Tan Concert Parties and their concert parties (the "**Tan**

Concert Parties Whitewash Resolution") and the appointment of an IFA to advise Independent Shareholders on the Tan Concert Parties Whitewash Resolution,

the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution shall be referred herein as the "**Proposed Whitewash Resolutions**".

Xandar Capital Pte. Ltd. ("**Xandar Capital**") has been appointed as the IFA to advise on (i) whether the terms of the Proposed AVL Acquisition, being the subject of the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution, are fair and reasonable; and (ii) the recommendation to be made by the independent directors of the Company to Shareholders in relation to the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution. We understand that all directors of the Company (the "**Directors**") are deemed independent for the purposes of the Proposed Whitewash Resolutions.

This letter sets out our evaluation of the terms of the Proposed AVL Acquisition and our recommendations to the Directors thereon (this "**IFA Letter**"). This IFA Letter forms part of the Circular issued by the Company in connection with the Proposed AVL Acquisition.

2. TERMS OF REFERENCE

Xandar Capital has been appointed as the IFA to advise the Directors on (i) whether the terms of the Proposed AVL Acquisition, being the subject of the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution, are fair and reasonable; and (ii) the recommendation to be made by the Directors to Shareholders in relation to the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution.

We are not and were not involved in any aspect of the negotiations entered into by the Company or in the deliberations leading up to the decision of the Directors to, *inter alia*, undertake the Proposed AVL Acquisition or to obtain the approval of Independent Shareholders for the Proposed Whitewash Resolutions. Accordingly, we do not, by this IFA Letter, warrant the merits of the Proposed AVL Acquisition or the Proposed Whitewash Resolutions, other than to express (i) an opinion on whether the terms of the Proposed AVL Acquisition, being the subject of the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolutions, are fair and reasonable; and (ii) the recommendation to be made by the Directors to Shareholders in relation to the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution.

We have not conducted a comprehensive review of the business, operations or financial condition of the Company and its subsidiaries (the "**Group**"). We also have not conducted a comprehensive review of the business, operations or financial condition of AVL, CCP and its wholly-owned subsidiary, Capital City Management Pte. Ltd. ("**CCMPL**") (collectively, the "**AVL Group**"), REGL and its wholly-owned subsidiary, Capital City Ventures Sdn. Bhd. ("**CCV**"), and FSVL and its wholly-owned subsidiary, Capital City Frontier Sdn. Bhd. ("**CCF**") (collectively, the "**Capital City Group**").

We have also not evaluated the strategic or commercial merits or risks of the Proposed AVL Acquisition or the future growth prospects, financial position or earnings potential of the enlarged group comprising the Group and the Capital City Group, upon Completion

(the "**Enlarged Group**"). Accordingly, we do not express any view as to the prices at which the Shares (or the Consolidated Shares) may trade upon Completion or on the future growth prospects, financial position and earnings potential of the Enlarged Group after the Completion.

We are also not addressing the relative merits of the Proposed AVL Acquisition as compared to the Proposed REGL Acquisition or the Proposed FSVL Acquisition, or any alternative transaction previously considered by the Company or that may otherwise become available to the Company in the future. Such evaluation shall remain the sole responsibility of the Directors, although we may draw upon their views (to the extent deemed necessary or appropriate by us) in arriving at our opinion and recommendation.

In the course of our evaluation and for the purpose of our opinion in relation to the Proposed AVL Acquisition and our recommendation in relation to the Proposed Whitewash Resolutions, we have held discussions with the Directors and the management of the Company (the "**Management**"), the directors and management of the Capital City Group (the "**Capital City Group Directors and Management**") and their respective professional advisers, and have examined and relied on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management, the Capital City Group Directors and Management and their respective professional advisers, including information contained in the Circular. We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. We have nevertheless made reasonable enquiries and used our judgment as we deemed necessary or appropriate in assessing such information and are not aware of any reason to doubt the accuracy or reliability of the information.

We have relied upon the assurance of the Directors that the Directors collectively and individually accept full responsibility for the accuracy of the information given in the Circular and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Group, the Proposed AVL Acquisition and the Proposed Whitewash Resolutions, and the Directors are not aware of any facts the omission of which would make any statement in the Circular misleading.

We have similarly relied upon the assurance of the directors of the Capital City Group (the "**Capital City Group Directors**") that the Capital City Group Directors collectively and individually accept full responsibility for the accuracy of the information given in the Circular, and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Capital City Group, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Whitewash Resolutions, and the Capital City Group Directors are not aware of any facts the omission of which would make any statement in the Circular misleading.

Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors

and the Capital City Group Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

In relation to this IFA Letter, the Directors and the Capital City Group Directors have confirmed that the facts relating to the Proposed AVL Acquisition and the Proposed Whitewash Resolutions as set out herein, are to the best of their knowledge and belief, fair and accurate in all material aspects.

We have not made any independent evaluation or appraisal of the assets or liabilities (including without limitation, real property) of the AVL Group. However, the Company has appointed Suntec Real Estate Consultants Pte Ltd ("**SREC**") to:

(i) express an opinion on the gross development value of the planned integrated development comprising a retail mall, hotel, serviced suites and serviced apartments on a parcel of freehold land with an area of 40,851.932 sq m located at Jalan Tampoi, Johor Bahru City Centre, District of Johor Bahru, State of Johor, Malaysia ("**Project Capital City**") and the fair value of the development profit of Project Capital City. A copy of the report that was prepared by SREC on the above (the "**Property Valuation Report**") is available for inspection at the principal place of business of the Company during normal business hours for a period of six (6) months from the date of the Circular; and

(ii) perform a valuation analysis and express an opinion on the fair value of a 100% interest in AVL as at 30 September 2016 (the "**Appraised Value**"). The letter prepared by SREC (the "**Independent Equity Valuation Certificate**") is annexed as Appendix F to the Circular. We have reviewed and noted the estimates made by the SREC in relation to the Appraised Value. We have placed sole reliance for the information and valuation contained in the Independent Equity Valuation Certificate. We are not involved and assume no responsibility for the Independent Equity Valuation Certificate. We have not made any independent verification of the matters or bases set out in the Independent Equity Valuation Certificate. Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

Our opinion and recommendation is based upon prevailing market, economic, industry, monetary and other conditions (where applicable) and the information made available to us as of the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our opinion and recommendation in light of any subsequent development after the Latest Practicable Date that may affect our opinion and recommendation contained herein. Shareholders should further take note of any announcements relevant to their consideration of the Proposed AVL Acquisition which may be released by the Company after the Latest Practicable Date.

In arriving at our opinion and recommendation, we did not consider the specific investment objectives, financial situation, tax consequences, risk profile or unique needs and constraints of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment objectives or portfolios



should consult his or their legal, financial, tax or other professional advisers immediately.

The Company has been separately advised by its own advisors in the preparation of the Circular (other than this IFA Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this IFA Letter).

Our opinion and recommendation is for the use and benefit of the Directors in their deliberation of the terms of the Proposed AVL Acquisition and the Proposed Whitewash Resolutions, and the recommendation made by the Directors to the Shareholders shall remain the responsibility of the Directors.

Our opinion in relation to the Proposed AVL Acquisition and our recommendation in relation to the Proposed Whitewash Resolutions should be considered in the context of the entirety of this IFA Letter and the Circular.

Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purposes other than the Proposed AVL Acquisition and the Proposed Whitewash Resolutions at any time and in any manner without our prior written consent.

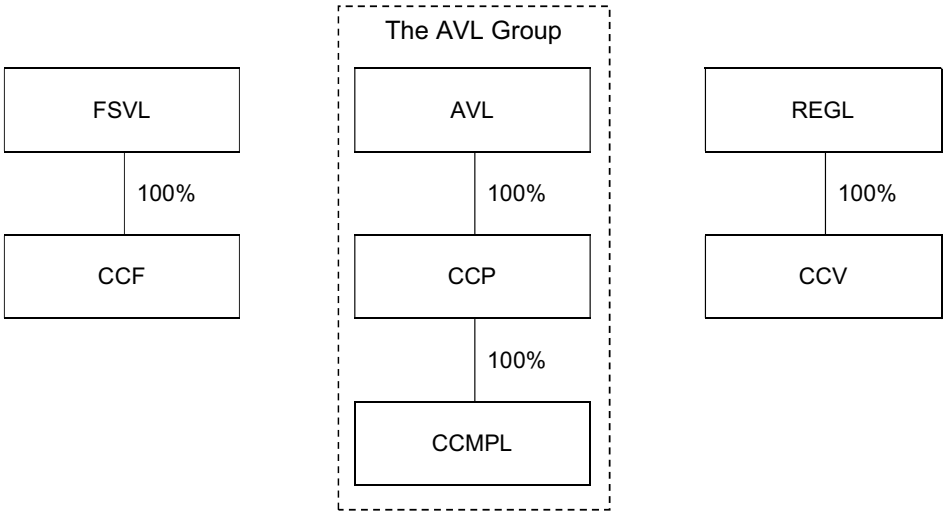
We recommend that the Directors advise Shareholders to read these pages carefully.

3. THE PROPOSED AVL ACQUISITION

The Proposed AVL Acquisition involves the Company acquiring the entire issued and paid-up share capital of AVL for an aggregate consideration of S$300,000,000 to be fully satisfied by the allotment and issue of 1,071,428,569 Consideration Shares at the Issue Price of S$0.28 for each Consideration Share.

3.1 INFORMATION ON THE CAPITAL CITY GROUP

The Capital City Group comprise the following entities:



(a) The AVL Group

AVL was incorporated in the British Virgin Islands on 23 November 2016. The Company will be acquiring all the issued and paid-up share capital of AVL as at the AVL Completion Date. As at the Latest Practicable Date, AVL has issued four (4) ordinary shares with a par value of US$1.00 each ("**AVL Shares**").

Prior to Completion, AVL will hold all the issued and paid-up share capital of CCP which in turn holds all the issued and paid-up share capital of CCMPL.

CCP was incorporated in Malaysia on 14 June 2013. CCP had, on 26 December 2013, entered into a joint venture agreement with Achwell Property Sdn. Bhd. ("**Achwell Property**", as the owner of the land asset on which Project Capital City is located) pursuant to which CCP and Achwell Property agreed to derive economic benefit from Project Capital City on a joint venture basis ("**Achwell JVA**") in accordance with the terms and conditions of the Achwell JVA. As at the Latest Practicable Date, CCP's issued and paid-up share capital is RM5,000,000 comprising 5,000,000 ordinary shares in the capital of CCP ("**CCP Shares**").

CCMPL was incorporated as a private company limited by shares in Singapore, on 30 August 2016. As at the Latest Practicable Date, CCMPL's issued and paid-up share capital is S$1 comprising one (1) ordinary share in the capital of CCMPL. CCMPL is currently the representative office of the Capital City Group in Singapore, and will subsequently be undertaking sales and marketing of the Capital City Group's projects in Singapore.

(b) REGL and CCV

REGL was incorporated in the British Virgin Islands on 9 September 2016. As at the Latest Practicable Date, REGL has issued 100 ordinary shares with a par value of US$1.00 each ("**REGL Shares**"). The Company will be acquiring all the issued and paid-up share capital of REGL as at the REGL Completion Date.

Prior to Completion, REGL will hold all the issued and paid-up share capital of CCV.

CCV was incorporated on 27 September 2016 in Malaysia. As at the Latest Practicable Date, CCV's issued and paid-up share capital is RM100 comprising 100 CCV Shares.

As at the Latest Practicable Date, the REGL Shareholders being Mr. Siow Chien Fu and Mr. Tham Kok Peng, hold their shares in REGL in the same proportion as that in CCV, being 99% and 1% respectively.

(c) FSVL and CCF

FSVL was incorporated in the British Virgin Islands on 8 December 2016. As at the Latest Practicable Date, FSVL has issued 100 FSVL ordinary shares of with a par value of US$1.00 each ("**FSVL Shares**"). The Company will be acquiring all the issued and paid-up share capital of FSVL as at the RSVL Completion Date.

Prior to Completion, FSVL will hold all the issued and paid-up share capital of CCF.

CCF was incorporated on 2 December 2016 in Malaysia. As at the Latest Practicable Date, CCF's issued and paid-up share capital is RM100 comprising 100 CCF Shares.

As at the Latest Practicable Date, the FSVL Shareholders being Mr. Siow Chien Fu and Mr. Tham Kok Peng, hold their shares in REGL in the same proportion as that in CCF, being 99% and 1% respectively.

3.2 THE BUSINESS OF THE CAPITAL CITY GROUP

The Capital City Group will be primarily engaged in the development of integrated property projects, spanning the full lifecycle of a property project, including the conception, design and implementation of integrated property development projects (the "**Business**").

The Capital City Group, through AVL Group, is currently developing Project Capital City. The Capital City Group has also entered into a joint venture agreement with Elit Hartamas Sdn.

Bhd. on 9 November 2016 to develop Project Austin (an integrated development project expected to comprise a retail mall, medical suites, hotel and serviced suites or residential apartments in Tebran, Johor Bahru, Malaysia), and a joint venture agreement with Permatang Eksklusif Sdn. Bhd. and Mara Tegas Sdn. Bhd. on 7 December 2016 in respect of Project Sitiawan Wellness Hub (a mixed development project focusing on providing health and wellness services in Pengkalan Baharu, Perak, Malaysia).

Project Austin and Project Sitiawan Wellness Hub shall be undertaken by CCV and CCF respectively and are still in their initial stages of conception.

3.3 INFORMATION ON PROJECT CAPITAL CITY

Project Capital City is a planned integrated development comprising a retail mall, hotel, serviced suites and serviced apartments on a parcel of freehold land with an area of 40,851.932 sq m located at Jalan Tampoi, Johor Bahru City Centre, District of Johor Bahru, State of Johor, Malaysia, undertaken by CCP on a joint venture basis with Achwell Property in accordance with the terms of the Achwell JVA.

In June 2014, CCP commenced supervising and managing the construction on Project Capital City, pursuant to the Achwell JVA.

Upon completion, Project Capital City will be a freehold integrated development in Johor Bahru, Johor, Malaysia comprising:

(i) a retail concept mall of six (6) levels of retail space and one (1) storey of common facilities with gross floor area of approximately 113,849 sq m ("**Capital 21**");

(ii) a 16-storey international hotel with 315 hotel rooms, branded "Hilton Garden Inn" and to be managed by Hilton Worldwide, with gross floor area of approximately 12,153 sq m ("**Hotel**");

(iii) a 18-storey tower comprising 630 units of hotel-style serviced suites, with gross floor area of approximately 33,780 sq m ("**Serviced Suites**"); and

(iv) three (3) 15-storey blocks comprising in aggregate 690 units of serviced apartments, with gross floor area of approximately 49,434 sq m ("**Serviced Apartments**").

As at the Latest Practicable Date, the Capital City Group has completed the construction of the structure of Capital 21 and has commenced the construction of the multi-storey car park of Project Capital City.

Capital 21, which is expected to commence operations in 2018, is envisioned to be a thematic mall, featuring a wide range of amenities such as 1,655 retail units, ballrooms, clubhouse, a world museum and a convention centre.

As at the Latest Practicable Date, construction of the Hotel, Serviced Suites and Serviced Apartments has yet to commence. The Hotel and Serviced Suites are expected to commence operations in 2019 while the Serviced Apartments are expected to be completed by 2020.

Please refer to Section 12.3(b) of the Circular entitled "Project Capital City and the Achwell JVA" for further details on Project Capital City.

3.4 RESULTS OF OPERATION AND FINANCIAL POSITION OF THE AVL GROUP

The following results of operations and financial position of the AVL Group for the financial years ended 30 June ("**FY**") 2014, FY2015 and FY2016, and for the three months ended 30 September 2016 ("**3M2017**") should be read in conjunction with the "Independent Auditor's Report on the Combined Financial Statements of Altimate Ventures Limited and its subsidiaries for the financial years ended 30 June 2014, 2015 and 2016" set out as Appendix B and the "Independent Auditor's Report on the Unaudited Interim Condensed Combined Financial Statements of Altimate Ventures Limited and its Subsidiaries for the Three-Month Period Ended 30 September 2016" set out as Appendix C to the Circular.

(a) Results of Operations of the AVL Group

A summary of the combined statements of comprehensive income of the AVL Group for FY2014, FY2015 and FY2016, and 3M2017 are set out below:

RM'000	**FY2014**	**FY2015**	**FY2016**	**3M2017**
Revenue	1,936	37,095	81,637	27,680
Gross profit	803	27,874	62,584	22,721
(Loss) / Profit before tax	(17,658)	17,074	57,372	19,521
(Loss) / Profit after tax	(13,693)	11,490	42,912	14,708

Project Capital City was the only development project of the AVL Group for FY2014, FY2015, FY2016 and 3M2017. All revenues of the AVL Group for FY2014, FY2015, FY2016 and 3M2017 were recognised based on the sale of units in Project Capital City (the "**Units**").

FY2015 vs FY2014

Revenue increased from RM1.9 million in FY2014 to RM37.1 million in FY2015 due to an increase in the amount of revenue recognised based on percentage of completion of the construction work performed in respect of the sold retail Units reaching approximately 9.5% in FY2015 as compared to 0.9% in FY2014.

Gross profit increased from RM0.8 million in FY2014 to RM27.9 million in FY2015, in line with the increase in revenue. Gross profit margin increased from 41.5% in FY2014 to 75.1% in FY2015. With the higher gross profit, a higher other operating income and a lower selling and distribution expenses in FY2015, the AVL Group registered a profit before tax of RM17.1 million in FY2015 as compared to a loss before tax of RM17.6 million in FY2014. With the profit before tax of RM17.1 million in FY2015, the AVL Group registered a net profit of RM11.5 million for FY2015.

FY2016 vs FY2015

Revenue increased from RM37.1 million in FY2015 to RM81.6 million in FY2016, due to an increase in the amount of revenue recognised based on percentage of completion of the construction work performed in respect of the sold retail Units reaching approximately 24.8% in FY2016 as compared to 9.5% in FY2015.

In line with the increase in revenue, gross profit increased from RM27.9 million in FY2015 to RM62.6 million in FY2016. Gross profit margin increased slightly from 75.1% in FY2015 to 76.7% in FY2016. Profit before tax increased from RM17.1 million in FY2015 to RM57.4 million in FY2016, mainly due to (i) an increase in gross profit of RM34.7 million; (ii) an increase in other operating income of RM3.4 million; and (iii) a net decrease in operating expenses of RM2.2 million in FY2016. With the profit before tax of RM57.4 million in FY2016, the AVL Group registered a net profit of RM42.9 million for FY2016.

3M2017

Revenue amounted to RM27.7 million in 3M2017 as revenue recognised based on percentage of completion of the construction work performed in respect of the sold retail Units reaching approximately 29.4% in 3M2017. With a gross profit of RM22.7 million in 3M2017, the AVL Group registered a higher gross profit margin of 82.1% in 3M2017 as compared to 76.7% in FY2016. After accounting for operating expenses of RM3.4 million in 3M2017, the AVL Group had a profit before tax of RM19.5 million and a profit after tax of RM14.7 million in 3M2017.

Further details on the financial performance of the AVL Group for FY2014, FY2015, FY2016 and 3M2017 can be found in Section 18 of the Circular entitled "Management's Discussion and Analysis of Results of Operations and Financial Position of the Capital City Group".

(b) Financial Position of the AVL Group

A summary of the combined statements of financial position of the AVL Group as at 30 June 2016 and 30 September 2016 is set out below:

RM'000	**As at 30 June 2016**	**As at 30 September 2016**
Current assets	190,401	209,624
Non-current assets	276,403	293,043
Total assets	466,804	502,667
Current liabilities	(268,201)	(318,927)
Non-current liabilities	(152,894)	(123,322)
Total liabilities	(421,095)	(442,249)
Total equity	45,709	60,418



As at 30 June 2016

As at 30 June 2016, the assets of the AVL Group comprised mainly inventory properties (current and non-current) of RM232.5 million, investment property under construction of RM124.9 million, and property, plant and equipment of RM65.3 million. Collectively, the above accounted for more than 90% of the total assets of the AVL Group as at 30 June 2016.

As at 30 June 2016, the liabilities of the AVL Group comprised mainly trade and other payables of RM256.0 million and deferred revenue of RM157.7 million.

As at 30 June 2016, the AVL Group had a net asset value ("**NAV**") of RM45.7 million. It had no intangibles as at 30 June 2016.

As at 30 September 2016

As at 30 September 2016, the assets of the AVL Group comprised mainly inventory properties (current and non-current) of RM251.7 million, investment property under construction of RM127.6 million, and property, plant and equipment of RM74.2 million. Collectively, the above accounted for more than 90% of the total assets of the AVL Group as at 30 September 2016.

As at 30 September 2016, the liabilities of the AVL Group comprised mainly trade and other payables of RM276.4 million and deferred revenue of RM156.2 million.

As at 30 September 2016, the AVL Group had a NAV of RM60.4 million. It had no intangibles as at 30 September 2016.

(c) Dividend History of the AVL Group

None of the companies in the AVL Group has declared, approved or paid any dividends since incorporation. As at the Latest Practicable Date, none of the companies in the AVL Group has a fixed dividend policy.

3.5 THE AVL SHAREHOLDERS

The interests of the AVL Shareholders in AVL are as follows:

Name of AVL Shareholders	AVL Shares held	% interest in AVL
Mr. Siow	2	50
Mr. Colin Tan	1	25
Mr. Edwin Tan	1	25
Total	4	100

Mr. Siow is presently the executive director of the Capital City Group, and is responsible for the overall strategy and direction of its business operations. Mr. Siow has about 30 years of

experience in the design and development of various property projects in Malaysia and overseas, some of which have won industry awards and accolades. Mr. Siow is proposed to be appointed as the Chief Executive Officer and an Executive Director of the Company upon Completion.

Mr. Colin Tan and Mr. Edwin Tan are brothers. They are also the non-executive directors of AVL and CCP. Mr. Colin Tan and Mr. Edwin Tan will be stepping down as directors of CCP upon Completion.

3.6 THE AVL CONSIDERATION

The AVL Consideration of S$300,000,000 was arrived at after arm's length negotiations between the Company and the AVL Shareholders, and on a willing-buyer and willing-seller basis, taking into account, *inter alia*, the Business, management position and the business prospects of CCP and on the basis that the AVL Consideration shall be supported by the Appraised Value.

The AVL Consideration shall be satisfied by the allotment and issue of the Consideration Shares as follows:

Name of AVL Shareholders	% interest in AVL	Consideration Shares to be allotted and issued to the AVL Shareholders (1)
Mr. Siow	50	535,714,285
Mr. Colin Tan	25	267,857,142
Mr. Edwin Tan	25	267,857,142
Total	100	1,071,428,569 (2)

Notes:

(1) Rounded down to the nearest Consideration Share.

(2) Including the 35,714,285 Consideration Shares to be transferred to ACIL to settle the ACIL Fees and 32,142,857 Consideration Shares to be sold to ACIL as Investment Shares by the AVL Shareholders.

The issue price of the Consideration Shares is as follows:

on a consolidated basis	S$0.28
on a pre-consolidated basis	S$0.07 (the "**Pre-Consolidated Issue Price**")

The Pre-Consolidated Issue Price represents a premium of S$0.019 (or 37.3%) to the volume weighted average price of the Shares traded on the Catalist of S$0.051 on 7 June 2016, being the last Market Day immediately preceding the Announcement Date.

3.7 CONDITIONS PRECEDENT

The conditions precedent for the Proposed AVL Acquisition are set out in Section 2.2(d)(A) of the Circular, and Shareholders are advised to read the information carefully. We set out certain extracts in *italic* as follows:

(i) completion of a business, legal and financial due diligence exercise by the Company on the AVL Shareholders and each of AVL, CCP and CCMPL which shall include, without limitation, the review of:

(aa) the business and operations of each of AVL, CCP and CCMPL including management meetings and site visits;

(bb) each of AVL's, CCP's and CCMPL's historical financial figures; and

(cc) any and all documents relating to legal and taxation matters of each of AVL, CCP, CCMPL, Project Capital City and the CCP Land Asset,

the results of such exercise being satisfactory to the Company and the Financial Adviser, in their sole and absolute discretion;

(ix) all necessary approvals and consents as may be necessary from and registration with any third party, governmental or regulatory body or relevant competent authority having jurisdiction over the transactions contemplated herein or to the entry into and completion of the Restated AVL SPA by the Restated AVL SPA Parties, being in full force and effect and not having been withdrawn, suspended, amended or revoked as at the AVL Completion Date, and if such approvals or consents or registrations are granted or obtained subject to any conditions, such conditions being reasonably acceptable to the Company and the AVL Shareholders (as the case may be);

(xiv) there being no notice of acquisition or exercise of any right by any Governmental Body or parties which will or may prejudice or adversely affect the usage of the CCP Land Asset by CCP or which will or may subject any of AVL, CCP or CCMPL to any onerous charge or liabilities in relation to the CCP Land Asset or any part of it, or of any intended acquisition or exercise of any right in relation to the CCP Land Asset or any part of it by the relevant Governmental Body or party;

(xviii) the delivery by the AVL Shareholders to the Company a written approval from Achwell Property indicating:

(aa) no objection towards the change in control of the shareholdings, management or ownership of each of AVL and CCP;

(bb) that CCP is not in default of any terms and conditions in the Achwell JVA; and

(cc) the Achwell JVA is valid and subsisting; and



We note that CCP and Achwell Property has on 13 March 2017 entered into a supplemental agreement to the Achwell JVA (the "**Achwell Supplemental Agreement**") in relation to the delivery of an approval from Achwell Property ("**APSB Approval**") that:

(a) Achwell Property has no objection towards the change in control of the shareholdings and/or board of directors of AVL or CCP;

(b) as at 13 March 2017, the Achwell JVA is valid and subsisting;

(c) as at 13 March 2017, CCP is not in default of any of the terms and conditions in the Achwell JVA; and

(d) Achwell Property has no objection to the resignation of Mr. Colin Tan and Mr. Edwin Tan as directors of CCP upon completion of the Proposed AVL Acquisition.

As at the Latest Practicable Date, save for the conditions precedent stated in paragraphs (ii) and (xviii) in Section 2.2(d)(A) of the Circular, all the conditions precedent are pending fulfilment (or waiver, as the case may be).

We note that the conditions precedent set out in paragraphs (i) and (vii) through (xvii) in Section 2.2(d)(A) of the Circular shall be deemed fulfilled on the AVL Completion Date unless otherwise notified by the relevant Restated AVL SPA Party in writing. If any of the conditions precedent are not fulfilled or waived (as the case may be) by the Back-Stop Date, the Restated AVL SPA shall cease and determine and save for the surviving provisions of the Restated AVL SPA or for any antecedent breach of the terms of the Restated AVL SPA, none of the parties to the Restated AVL SPA shall have any claim against any other party to the Restated AVL SPA for costs, damages, compensation or otherwise.

3.8 UNDERTAKING SHAREHOLDER

Tritech Group Limited ("**Tritech**"), the Undertaking Shareholder which has an interest of approximately 56.61% in the total number of issued Shares as at the Latest Practicable Date, has undertaken, *inter alia*,

(i) to hold in aggregate such number of Shares amounting to no less than 51% of the total number of Shares, until the earlier of:

  (aa) any of the AVL Conditions Precedent, the REGL Conditions Precedent or the FSVL Conditions Precedent (as the case may be) not being fulfilled or waived (as the case may be) on or before the Back-Stop Date; or

  (bb) termination of the Restated AVL SPA, the REGL SPA or the FSVL SPA (as the case may be); and

  (cc) conclusion of the EGM; and

(ii) to vote, at the EGM, in favour of, *inter alia*, the matters referred to in paragraphs (A)(iv), (B)(iii) and (C)(iii) of Section 2.2(d) of the Circular.

4. EVALUATION OF THE PROPOSED AVL ACQUISITION

In our evaluation of the Proposed AVL Acquisition, we have taken into account the following factors which we consider to be pertinent and to have a significant bearing on our evaluation:

(a) the financial performance of the AVL Group;

(b) the Property Valuation Report;

(c) the Independent Equity Valuation Certificate;

(d) the NAV and net tangible asset of the AVL Group;

(e) the Issue Price of the Consideration Shares;

(f) comparison of AVL Group with selected comparable companies;

(g) comparison with recent acquisitions of property development companies;

(h) comparison with recent reverse takeover transactions;

(i) the rationale for and benefits of the Proposed AVL Acquisition;

(j) the proforma financial effects of the Proposed AVL Acquisition; and

(k) other considerations.

These factors are discussed in greater detail in the ensuing paragraphs.

4.1 THE FINANCIAL PERFORMANCE OF THE AVL GROUP

As mentioned in the Circular and in paragraph 3.4 of this IFA Letter, Project Capital City was the only development project of the AVL Group for FY2014, FY2015, FY2016 and 3M2017.

All revenues of the AVL Group for FY2014, FY2015, FY2016 and 3M2017 were recognised based on percentage of completion of the construction work performed in respect of the Units sold. The customers of the AVL Group are mainly individual end-purchasers of the Units.

Based on the Property Valuation Report, the total gross development value ("**GDV**") of Project Capital City, on a present value basis, is estimated to be RM2.4 billion as at 30 September 2016. The total revenue generated by the AVL Group from 1 July 2013 to 30 September 2016 amounted to RM148.3 million, representing about 6.1% of Project Capital City's GDV.

In FY2014, AVL Group registered a revenue of RM1.9 million and a net loss of RM13.7 million. With higher revenues of RM37.1 million and RM81.6 million for FY2015 and FY2016 respectively, the AVL Group registered net profit of RM11.5 million and RM42.9 million for

FY2015 and FY2016 respectively. The AVL Group registered revenue and net profit of RM27.7 million and RM14.7 million respectively for 3M2017.

Based on the Property Valuation Report, the fair value of the development profits of Project Capital City, on a present value basis, is estimated to be RM965 million as at 30 September 2016. The total net profit generated by the AVL Group from 1 July 2013 to 30 September 2016 amounted to RM55.4 million, representing about 5.7% of Project Capital City's fair value of the development profits.

Based on the AVL Consideration of S$300.0 million and the exchange rate between Singapore dollars and Ringgit Malaysia of S$1.00 to RM3.1678 (1) as at the Latest Practicable Date (the "**LPD Exchange Rate**"), and the combined net profit of RM42.9 million for FY2016, the price-to-earnings ("**P/E**") ratio for AVL Group is 22.2 times. Based on the combined net profit of RM50.6 million for the trailing 12 months ended 30 September 2016, the P/E ratio for AVL Group is 18.8 times.

Note:

(1) Source: Bank Negara Malaysia's website.

4.2 THE PROPERTY VALUATION REPORT

The Company has commissioned SREC to express an opinion on the GDV of Project Capital City and the fair value of the development profit of Project Capital City.

The text extracted from the Property Valuation Report prepared by SREC are set out in *italics* below.

We note that:

(i) SREC has adopted the definition of GDV from the Royal Institution of Chartered Surveyors ("**RICS**") which defines GDV as *"the aggregate market value of the proposed development assessed on the special assumption that the development is completed as at the date of valuation in the market conditions prevailing at that date"*, and 'market value' as defined by the International Valuation Standards ("**IVS**") is "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*";

(ii) "Fair value" is defined by the International Valuation Standards Council ("**IVSC**") as "*the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interest of those parties*";

(iii) "Development profit" refers to "*the difference between the Gross Development Value and the total development costs including land cost, construction cost, interest and taxes, legal and marketing costs and discounted to present value at 8% discount rate*"; and

(iv) "*In accordance with the instructions and the agreed basis of valuation, the fair value to be determined in this valuation is the development profit*".

With respect to the GDV of Project Capital City, we note the following key assumptions applied by SREC:

(a) The material date of valuation is 30 September 2016;

(b) *In determining the GDV, we have adopted the Market Approach. This entails enlisting sales and other relevant market evidences of similar properties and making adjustments thereto for value affecting factors. We first made an estimation of the selling price for each phase of the development that have yet to be sold. Market transactions of units within the same development and from other similar properties are analysed and compared with the unsold units in the subject development, and adjusted for differences in terms of location, size, market conditions and other factors to arrive at our opinion of the selling price.*

(c) Phase 1 of Project Capital City includes the 1,655 retail Units in Capital 21 with total net floor area of 755,544 sq ft.

We note that, as at the Latest Practicable Date, the Capital City Group retained approximately 242 retail Units for rental income or for sale in the future.

As at the date of valuation, the Capital City Group has executed sale and purchase agreements for 841 retail Units, representing 59.5% of the 1,413 retail Units not intended to be retained by the Capital City Group. The remaining unsold 572 retail Units represent 40.5% of the retail Units to be sold by the Capital City Group.

The average selling price of the 841 sold retail Units is RM2,853 per sq ft. SREC has applied an average selling price of RM2,600 per sq ft for the retail Units to be sold in 2017 and an average selling price of RM2,300 per sq ft for the retail Units to be sold in 2018.

As at the Latest Practicable Date, we note that sale and purchase agreements have been executed for 895 retail Units. The average selling price (in sq ft) of these 895 retail Units with sale and purchase agreements is higher than the average selling price applied by SREC.

(d) Phase 2 of Project Capital City comprises Hotel, Serviced Suites and Serviced Apartments.

The Hotel will be managed by Hilton Worldwide for an initial operating term of fifteen (15) years from the opening day of the Hotel, with an option to extend such initial operating term for up to two (2) successive periods of ten (10) years as may be mutually agreed between CCP and Hilton Worldwide.

All Serviced Suite Units are available for sale. As at the date of valuation, the Capital City Group has executed sale and purchase agreements for 135 Serviced Suite Units of the 630 Serviced Suite Units. The remaining unsold 495 Serviced Suite Units

represent 78.6% of the Serviced Suite Units to be sold by the Capital City Group. The average selling price of the 135 sold Serviced Suite Units is RM627,378 for each Unit. SREC has applied an average selling price of RM627,000 for the remaining unsold Units.

As at the Latest Practicable Date, we note that sale and purchase agreements have been executed for 180 Serviced Suite Units. The average unit selling price of these 180 Serviced Suite Units with sale and purchase agreements is higher than the average unit selling price applied by SREC.

All 690 Serviced Apartment Units shall be put up for sale. None of the Serviced Apartment Unit has been sold as at 30 September 2016. The total net floor area of the Serviced Apartment Units is 488,379 sq ft and SREC has applied an average selling price of RM850 per sq ft for the Serviced Apartment Units.

(e) SREC has factored a 7.5% price discount for 40% of the total sales quantum for bumiputera discounts which amounts to approximately RM81.47 million.

(f) For the Hotel, the retail Units which will be retained by the Capital City Group for rental income and future sale, and the remainder area of Capital 21 (such as ballrooms, clubhouse, a world museum and a convention centre) which will also be retained by the Capital City Group, SREC has valued them on the basis of a terminal value at the end of year 2020.

(g) *The discount rate of 8.0% represents a premium of between 4.757% and 5.124% over the government securities risk-free yield, which in our opinion is sufficient to compensate for the risk associated with the subject development.*

(h) Together with the other parameters and assumptions applied by SREC, the GDV of Project Capital City, subject to satisfactory completion and issuance of occupation permit on a present value basis, is estimated to be RM2.4 billion.

As mentioned above, the development profit refers to the difference between the GDV and the total development costs. In addition to the parameters and assumptions applied by SREC in determining the GDV of Project Capital City, we note the following in relation to the fair value of the development profit of Project Capital City:

(i) *The Fair Value for the development profit is derived using the Residual approach, based on the Discounted Cash Flow methodology on a 5-year time horizon. The revenue and cost over this 5-year horizon is projected based on certain assumptions after discussion with the management of Capital about the sales and construction progress and other outgoings. The net income is discounted at an appropriate discount rate to present value to arrive at the Fair Value of the development profit.*

(ii) *In determining the construction cost, we have considered the estimated cost of construction in accordance to the designs and specifications. As a guide, we have relied on the current cost of construction as well as information provided by Capital of the contracted construction cost.*

(iii) Based on the parameters and assumptions applied by SREC, the fair value of the development profit of Project Capital City is estimated to be RM965 million.

Based on the LPD Exchange Rate, the fair value of the development profit of Project Capital City is S$304.6 million. Accordingly, the AVL Consideration of S$300.0 million is at a discount of S$4.6 million (or 1.5%) to the fair value of the development profits of Project Capital City.

The Property Valuation Certificate is set out as Appendix E to the Circular and the Property Valuation Report is available for inspection at the principal place of business of the Company.

4.3 THE INDEPENDENT EQUITY VALUATION CERTIFICATE

In addition to the Property Valuation Report, SREC has also been engaged to perform a valuation analysis in relation to the 100% interest in CCP as at 30 September 2016. A copy of the Independent Equity Valuation Certificate is set out as Appendix F to the Circular.

Shareholders are advised to read the Independent Equity Valuation Certificate carefully in particular, paragraph 3.0 relating to the terms of reference and qualifications, paragraph 5.0 relating to the basis of valuation, paragraph 6.0 relating to key assumptions, and paragraph 7.0 relating to valuation methodology.

Based on the factors as outlined by SREC in the Independent Equity Valuation Certificate, the estimated fair value of 100% interest in CCP as at 30 September 2016 was RM970 million.

Based on the LPD Exchange Rate, the estimated fair value of 100% interest in CCP as at 30 September 2016 was S$306.2 million. Accordingly, the AVL Consideration of S$300.0 million is at a discount of S$6.2 million (or 2.0%) to the fair value of 100% interest in CCP as at 30 September 2016.

4.4 NAV AND NET TANGIBLE ASSETS OF THE AVL GROUP

As at 30 September 2016, the AVL Group had NAV of RM60.4 million and no intangible assets. Accordingly, the NAV of the AVL Group would be equal to its net tangible assets ("**NTA**").

As mentioned in paragraph 3.4(b) of this IFA Letter, as at 30 September 2016, inventory properties (current and non-current), investment property under construction, and property, plant and equipment collectively accounted for more than 90% of the total assets of the AVL Group as at 30 September 2016.

The Capital City Group Directors and Management have confirmed that no impairment or provision is necessary in respect of the value of the assets recorded in the balance sheet of the AVL Group as at 30 September 2016. The Capital City Group Directors and Management have further confirmed that, to the best of their knowledge and belief, there were no material contingent liabilities, unrecorded earnings, expenses or provisions which could have a material impact on the NAV or NTA of the AVL Group as at 30 September 2016.

Based on the AVL Consideration of S$300.0 million and the LPD Exchange Rate, and the combined NAV or combined NTA of the AVL Group as at 30 September 2016, the price to NAV ("**P/NAV**") ratio or the price to NTA ("**P/NTA**") ratio of AVL Group is 15.7 times.

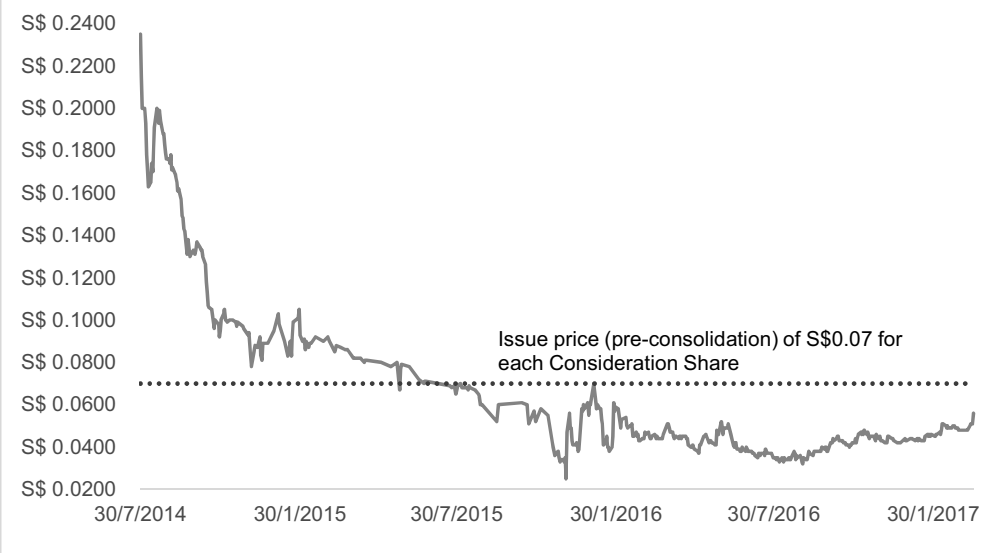
As set out in paragraph 4.3 of this IFA Letter, SREC estimates the fair value of 100% interest to be RM970 million as at 30 September 2016 ("**Estimated NAV**").

Based on the AVL Consideration of S$300.0 million and the LPD Exchange Rate, and the Estimated NAV as at 30 September 2016, the P/NAV ratio of AVL Group is 1.0 times.

4.5 ISSUE PRICE OF THE CONSIDERATION SHARES

(a) The Issue Price and the Market Performance of the Shares

The Shares were first traded on the Catalist on 30 July 2014. The historical price chart (based on closing prices) for the Shares since 30 July 2014 to the Latest Practicable Date is set out below:



Source: Bloomberg L.P.

A summary of the salient announcements and key events relating to the Company during the aforesaid period is set out below:

Date	Event
11 September 2014	The Company announced its unaudited financial results for its first quarter ended 30 June 2014 ("**1Q2015**") and reported a loss after income tax of S$2.1 million for 1Q2015.



Date	Event
4 November 2014	The Company announced the re-constitution of its board committees following the resignation of an independent director as announced on 29 September 2014 and the appointment of an independent director as announced on 4 November 2014
13 November 2014	The Company announced its unaudited financial results for the six months ended 30 September 2014 ("**HYE2015**") and reported a net profit after income tax of S$2.9 million for HYE2015.
5 January 2015	The Company announced the acquisition of an 80% interest in Shaanxi Hengyu Architectural Engineering Co., Ltd. ("**Hengyu**") for an aggregate cash consideration of RMB9.6 million.
11 February 2015	The Company announced its unaudited financial results for its nine months ended 31 December 2014 ("**3Q2015**") and reported a profit after income tax of S$1.1 million for 3Q2015.
29 May 2015	The Company announced its unaudited financial results for its full year ended 31 March ("**FYE**") 2015 and reported a loss after income tax of S$10.8 million for FYE2015.
15 July 2015	The Company announced and clarified the material differences between the audited financial results for FYE2015 and the unaudited full year results for FYE2015 announced on 29 May 2015.
30 July 2015	The Company announced that Hengyu had, on 28 July 2015, been awarded a RMB240 million contract for the supply and installation of decoration works for a property development project in Beijing, People's Republic of China.
4 August 2015	The Company announced that it has entered into a subscription agreement with Advanced Strategy Holdings Limited (the "**Subscriber**") and Sai Yi Hong Pte. Ltd. (as arranger), on 3 August 2015, pursuant to which the Company had agreed to issue to the Subscriber 4.0% convertible notes due 2018 in aggregate principal amount of up to S$30 million comprising up to three tranches, of a principal amount of S$5 million for the first tranche, S$10 million for the second tranche and S$15 million for the third tranche ("**Proposed Issuance of Convertible Notes**").
14 August 2015	The Company announced its unaudited financial results for the three months ended 30 June 2015 ("**1Q2016**") and reported a loss after income tax of S$1.5 million for 1Q2016.

Date	Event
25 September 2015	The Company announced that it had increased the issued and paid-up share capital of its wholly-owned subsidiary, Terratech Resources Pte. Ltd. by way of capitalisation of partial outstanding advances amounting to S$8,030,000 in exchange for 80,030,000 new ordinary shares of S$0.10 each in Terratech Resources Pte. Ltd.
4 November 2015	The Company announced that the Proposed Issuance of Convertible Notes had been mutually terminated.
13 November 2015	The Company announced its unaudited financial results for the six months ended 30 September 2015 ("**HYE2016**") and reported a loss after income tax of S$1.5 million for HYE2016.
4 December 2015	The SGX-ST queried the Company regarding the unusual price and volume movements in the Shares.
6 December 2015	The Company responded to the SGX-ST's queries that it was not aware of any information not previously announced or any other possible explanation for the trading and confirmed that it was in compliance with the Listing Rules.
7 December 2015	The SGX-ST issued the "Trade with Caution" alert in view of the unusual share price and volume movements in the Shares and the Company's response.
21 December 2015	The SGX-ST queried the Company regarding the unusual volume movements in the Shares. The Company responded to the SGX-ST's queries that it is constantly reviewing and exploring potential funding opportunities in tandem with its corporate growth strategy. However, the discussions are in a very preliminary stage and there is no certainty that any of them will materialise or will lead to any definitive agreement being entered into.
5 January 2016	The Company announced that it received a notification from Tritech of its intention to dispose a 29.0% shareholding interest in the Company ("**Proposed Disposal**"). Upon completion of the Proposed Disposal, each entity in the Group will cease to be a subsidiary of Tritech.
5 February 2016	The Company announced its unaudited financial results for the nine months ended 31 December 2015 ("**3Q2016**") and reported a loss after income tax of S$2.4 million for 3Q2016.
18 February 2016	The Company announced that it has been notified by Tritech that the Proposed Disposal had been mutually terminated.

Date	Event
28 March 2016	The Company announced that it had entered into a placement agreement with UOB Kay Hian Private Limited ("**UOBKH**"), pursuant to which the Company had agreed to offer, by way of placement ("**Placement**"), and UOBKH had agreed to procure on a best effort basis subscriptions for up to 74,000,000 new ordinary shares ("**Placement Shares**") in the capital of the Company.
21 April 2016	The Company announced that the Placement had been completed. An aggregate of 68,500,000 Placement Shares had been allotted and issued at an issue price of S$0.0405 for each Placement Share ("**Placement Price**").
30 May 2016	The Company announced its unaudited financial results for FYE2016 and reported a loss after income tax of S$3.6 million for FYE2016.
9 June 2016	The Company announced the Proposed AVL Acquisition.
11 August 2016	The Company announced its unaudited financial results for the three months ended 30 June 2016 ("**1Q2017**") and reported a loss after income tax of S$0.8 million for 1Q2017.
10 November 2016	The Company announced its unaudited financial results for the six months ended 30 September 2016 ("**HYE2017**") and reported a loss after income tax of S$1.9 million for HYE2017.
8 December 2016	The Company announced the extension of the Back-Stop Date.
7 January 2017	The Company announced it had entered into (i) the Deed with the AVL Shareholders to amend and restate the SPA in its entirety, (ii) the REGL SPA and (iii) the FSVL SPA.
13 February 2017	The Company announced its unaudited financial results for the three months ended 31 December 2016 ("**3Q2017**") and reported a loss after income tax of S$3.0 million for 3Q2017.
15 March 2017	The Company announced that the SIC had on 13 March 2017, granted the Whitewash Waiver, subject to certain conditions.

We have also tabulated below selected statistical information on the share price performance and trading liquidity of the Shares from 30 July 2014 up to the Latest Practicable Date:

	Highest Price[1] (S$)	Lowest Price[1] (S$)	VWAP[2] (S$)	Premium / (Discount) of Pre-Consolidated Issue Price over VWAP (%)	Average daily trading volume[3] ('000)	Average daily trading volume as a percentage of free float[4] (%)
Prior to the Announcement Date						
From 30 July 2014	0.235	0.025	0.092	(23.5)	3,508	1.5
Last 12 months	0.072	0.025	0.052	35.0	4,782	2.1
Last 6 months	0.070	0.037	0.052	34.7	8,676	3.8
Last 3 months	0.052	0.037	0.047	47.6	4,979	2.2
Last 1 month	0.052	0.041	0.048	44.4	6,808	3.0
7 June 2016, being the last traded day prior to the Announcement Date	0.051	0.051	0.051	38.3	37,253	16.2
After the Announcement Date						
After 9 June 2016 to the Latest Practicable Date	0.056	0.032	0.046	53.2	2,903	1.3
As at 17 March 2017, being the Latest Practicable Date	0.056	0.056	0.053	31.1	26,443	11.5

Source: Bloomberg L.P.

Notes:

(1) The highest price refers to the highest daily closing price during the relevant period. The lowest price refers to the lowest daily closing price during the relevant period.

(2) The volume weighted average price ("**VWAP**") of the Shares over the relevant period.

(3) The average daily trading volume of the Shares is computed based on the total volume of Shares traded during the relevant period, divided by the number of days on which the Catalist is open for trading during the relevant period.

(4) Free float refers to the Shares other than those directly and deemed held by the Directors and the substantial shareholders of the Company. For the purpose of computing the average daily trading volume as a percentage of free float for the various periods, we have used the free float of approximately 229.5 million Shares, representing approximately 33.6% of the Shares.

We noted that:

(i) Since 30 July 2014 till the Announcement Date, the Share has closed across a wide band from the highest daily closing price of S$0.235 to the lowest daily closing price of S$0.025;

(ii) the Pre-Consolidated Issue Price represents a premium of 35.0%, 34.7%, 47.6%, 44.4% and 38.3% to the VWAP of the Shares for the 12-month, 6-month, 3-month, 1-month and the last traded day prior to the Announcement Date respectively;

(iii) following the Announcement Date and up to the Latest Practicable Date, the Shares have closed between S$0.032 and S$0.056. The last transacted price of the Shares on 17 March 2017, being the Latest Practicable Date, was S$0.056. The Pre-Consolidated Issue Price of S$0.07 represents a 25.0% premium to the last transacted price of S$0.056 on 17 March 2017; and

(iv) the average daily trading volume of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Announcement Date represented 2.1%, 3.8%, 2.2%, and 3.0% of the free float respectively. The average daily trading volume of the Shares for the period after the Announcement Date to the Latest Practicable Date represented only 1.3% of the free float.

(b) The Issue Price versus the NAV per Share

Based on the latest unaudited NAV of the Terratech Group (after excluding non-controlling interest) of S$9.8 million and the issued share capital of 683,542,003 Shares as at 31 December 2016, the unaudited NAV per Share was approximately S$0.014. The Pre-Consolidated Issue Price represents a premium of 389.8% (or S$0.056) to the unaudited NAV per Share as at 31 December 2016.

(c) The Issue Price versus the NTA per Share

After deducting intangible assets of S$0.7 million and goodwill of S$1.3 million as at 31 December 2016, Terratech Group had an unaudited NTA of S$7.8 million as at 31 December 2016. Based on the issued share capital of 683,542,003 Shares as at 31 December 2016, the unaudited NTA per Share was approximately S$0.011. The Pre-Consolidated Issue Price represents a premium of 512.8% (or S$0.059) to the unaudited NTA per Share as at 31 December 2016.

4.6 COMPARISON WITH SELECTED COMPARABLE COMPANIES

The AVL Group is an integrated property development projects manager which undertakes strategic real estate planning and development management spanning the full lifecycle of a property project, including the conception, design and implementation of integrated property development projects. While we note that the AVL Group is not publicly-traded, reference can be made to companies which are listed and traded on the regional exchanges, whose business activities and industries are largely comparable to that of the AVL Group ("**Selected Comparable Companies**") to give an indication of the current market expectations with

regards to the valuation of these businesses, implied by their respective closing market prices as at the Latest Practicable Date.

We note, however, that these Selected Comparable Companies are not directly comparable to the AVL Group in terms of geographical location, principal business activities, scale of operations, geographical markets, track record, future prospects, asset base, risk profile, customer base and other relevant criteria.

For the comparison with these Selected Comparable Companies, we have referred to various valuation ratios to provide an indication of the market expectations with regard to the valuation of these companies. In this respect, we have considered the following widely used ratios:

Valuation Ratio	**General Description**
EV/EBITDA	"EV" or "Enterprise Value" is defined as the sum of a company's market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents. "EBITDA" stands for earnings before interest, tax, depreciation and amortisation but after share of associates' and joint ventures' income but excluding exceptional items. The "EV/EBITDA" multiple is an earnings-based valuation methodology that does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. Therefore, it serves as an illustrative indicator of the current market valuation of the business of a company relative to its pre-tax operating cash flow and performance.
P/E	The P/E ratio illustrates the ratio of the market price of a company's share relative to its historical consolidated earnings per share. The P/E ratio is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to among others, depreciation and amortisation.
P/NAV	P/NAV ratio illustrates the ratio of the market price of a company's share relative to its asset backing as measured in terms of its historical consolidated NAV per share as stated in its financial statements. The NAV figure provides an estimate of the value of a company assuming the sale of all its tangible and intangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their book NAVs are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation policies.
P/NTA	P/NTA ratio illustrates the ratio of the market price of a company's share relative to its historical NTA per share as recorded in its financial statements. The NTA figure provides an estimate of the

Valuation Ratio	General Description
	value of a company assuming the sale of all its tangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their NTAs are affected by differences in their respective accounting policies, in particular, their depreciation and asset valuation policies.

We set out in the table below the list of Selected Comparable Companies which are listed on regional exchanges, together with a brief description of their principal activities which are considered broadly comparable to the AVL Group:

Selected Comparable Companies	Listing Location	Brief Business Description	Market capitalisation as at the Latest Practicable Date [(1)] [(2)] (S$ million)
Country View Bhd ("**Country View**")	Bursa Malaysia	Country View, through its subsidiaries, operates residential and commercial properties development and investment. Country View also provides contractor services.	54.0
Eco World Development Group Bhd ("**Eco World**")	Bursa Malaysia	Eco World is an investment holding company which operates property investment and development. Through its subsidiaries, the company develops properties and provides project management services.	1,442.6
Hua Yang Bhd ("**Hua Yang**")	Bursa Malaysia	Hua Yang is an investment holding company which develops property and provides secretarial services. Through its subsidiaries, the company provides management services.	126.8
Iskandar Waterfront City Bhd ("**IWC**")"	Bursa Malaysia	IWC is an investment holding company which provides property development, construction, and property management services. IWC also develops residential and commercial properties and is involved in the construction of infrastructure.	710.8
MCT Bhd ("**MCT**")	Bursa Malaysia	MCT is an integrated property developer. The company is focused on developing affordable housing in Malaysia.	489.4

Selected Comparable Companies	Listing Location	Brief Business Description	Market capitalisation as at the Latest Practicable Date [1] [2] (S$ million)
MKH Bhd ("**MKH**")	Bursa Malaysia	MKH is a property development company. The company's current portfolio comprises a range of developments across all property sectors which are mainly located in Kajang, Damansara, Semenyih, Serdang and Melawati. MKH is also involved in oil palm plantation, project management, property investment, construction and furniture manufacturing.	410.3
SP Setia Bhd Group ("**Setia**")	Bursa Malaysia	Setia is an investment holding company. Through its subsidiaries, the company operates as building contractors and develops, invests, and leases properties. Setia also manufactures precast concrete, and prefabricates, installs, and sells wood products.	3,066.9
Tambun Indah Land Bhd ("**Tambun**")	Bursa Malaysia	Tambun develops real estate. The company builds residential projects including attached terrace homes, villas, condominium towers, and bungalows.	190.9
United Overseas Australia Ltd ("**UOA**")	Australian Stock Exchange	UOA is a real estate development and management company. The company has interest in developed properties, both commercial and residential, in Kuala Lumpur, Malaysia. The company also has investments in the form of rental properties.	893.8
UEM Sunrise Bhd ("**UEMS**")	Bursa Malaysia	UEMS is a real estate investment and development company. The company's activities include property development and land sales. The company develops a range of projects including industrial, commercial, residential, healthcare and mixed used properties, government offices, universities, and others.	1,778.5

Source: Bloomberg Finance L.P.

Notes:

(1) Market capitalisation of the Selected Comparable Companies are based on their respective closing prices as at the Latest Practicable Date.

(2) Based on Bloomberg's closing exchange rate of S$1 to RM3.1676 and AUD0.9257 as at the Latest Practicable Date.

The statistics of the Selected Comparable Companies are computed based on the last traded prices as at the Latest Practicable Date and latest publicly available financial results.

Comparisons between the AVL Group and the Selected Comparable Companies may be affected, *inter alia*, by differences in their accounting policies. Our analysis has not attempted to adjust for such differences.

In view of the above, it should be noted that any comparison made with respect to the Selected Comparable Companies merely serves as an illustration and that the conclusions drawn from the comparisons may not necessarily reflect the perceived market valuation of the AVL Group as at the Latest Practicable Date.

We set out in the table below the financial ratios of the Selected Comparable Companies as at the Latest Practicable Date:

Selected Comparable Companies	**Net Profit/ (Loss) [(1)] (S$'m)**	**EV/EBITDA [(2)] (times)**	**P/E [(3)] (times)**	**P/NAV [(4)] (times)**
Country View	8.7	6.2	6.6	0.6
Eco World	43.4	27.2	35.3	1.2
Hua Yang	24.3	6.1	5.5	0.7
ICW	(5.0)	n.a.	n.a.	3.8
MCT	24.4	13.4	21.2	2.0
MKH	61.5	5.5	7.0	1.0
Setia	272.8	11.6	11.9	1.2
Tambun	37.5	4.1	5.4	1.1
UOA	166.1	3.4	5.1	0.7
UEMS	49.2	40.1	38.2	0.8
Maximum		40.1	38.2	3.8
Minimum		3.4	5.1	0.6
Mean		8.6	10.9	1.4
Median		6.1	6.6	1.1

Selected Comparable Companies	Net Profit/ (Loss) [1] (S$'m)	EV/EBITDA [2] (times)	P/E [3] (times)	P/NAV [4] (times)
AVL Group [5]	17.0	17.8	18.8	15.7
AVL Group (based on Estimated NAV) [6]				1.0

Source: Bloomberg Finance L.P., annual reports and/or announcements of the respective companies.

Notes:

(1) The latest available trailing 12 months net profits attributable to shareholders as announced by the respective companies. Net profit figures are based upon the average exchange rates prevailing during the respective company's 12 months periods.

(2) The EBITDA figures of the Selected Comparable Companies are compiled by Bloomberg on the latest available trailing 12 months results as announced by the respective companies. EV of the companies are based on their respective market capitalisations as at the Latest Practicable Date.

(3) The P/E ratios of the Selected Comparable Companies are based on (i) their respective closing prices as at the Latest Practicable Date; and (ii) the net profits for the latest available trailing 12 months results as compiled by Bloomberg.

(4) The P/NAV ratios of the Selected Comparable Companies are based on (i) their respective closing prices as at the Latest Practicable Date; and (ii) the NAV for the latest financial period as announced by the respective companies.

(5) Based on the AVL Consideration and NAV of the AVL Group as at 30 September 2016 from the combined statements of financial position of the AVL Group found in Appendix B to the Circular.

(6) This refers to the fair value of 100% interest in AVL as estimated by SREC set out in paragraph 4.4 of this IFA Letter.

Based on the above ratio analysis, we noted that:

(a) the EV/EBITDA ratio and P/E ratio of the AVL Group, as implied by the AVL Consideration are within the range but above the mean and the median of the Selected Comparable Companies;

(b) the P/NAV ratio of the AVL Group, as implied by the AVL Consideration and based on the NAV, is above the range, the mean and the median of the Selected Comparable Companies; and

(c) the P/NAV ratio of the AVL Group, as implied by the AVL Consideration and based on the Estimated NAV, is within the range and below the mean and median of the Selected Comparable Companies.



4.7 COMPARISON WITH RECENT ACQUISITIONS OF PROPERTY DEVELOPMENT COMPANIES

We have also compared the price over revalued NAV ("**P/RNAV**") ratio of the AVL Group as implied by the AVL Consideration against selected recent acquisitions of property development companies completed by companies listed on the SGX-ST (the "**Recent Acquisitions**").

We wish to highlight that the list of Recent Acquisitions may not be directly comparable to the Proposed AVL Acquisition in terms of size, type of development, valuation methodologies, accounting treatment and policies, and other relevant consideration. The list of Recent Acquisitions is by no means exhaustive and information relating to the Recent Acquisitions was compiled from publicly available information. Therefore, any comparison with the Recent Acquisitions is for illustrative purpose only and merely serves as a guide to illustrate the P/RNAV ratio for the transactions.

The P/RNAV ratios for the Recent Acquisitions are as follows:

Date of circular	Name of company	Description of acquisition	P/RNAV
18 September 2014	St James Holdings Ltd	Proposed acquisition of effective interests in property assets, management businesses and other assets located primarily in the People's Republic of China and Singapore for a purchase consideration of approximately S$1.56 billion.	0.82 to 0.86
24 September 2014	Hisaka Holdings Ltd	Proposed acquisition of the entire issued share capital of Regal International Holdings Pte. Ltd. for a purchase consideration of S$127,250,000. Regal International Holdings Pte. Ltd. and its subsidiaries are principally engaged in the property development business to the private sector in Malaysia.	0.60
18 September 2015	E2-Capital Holdings Limited	Proposed acquisition of the economic interest of Astaka Padu Limited for the aggregate consideration of S$428,000,000. Astaka Padu Limited and its subsidiary are principally engaged in the business of property development in the Iskandar region of Johor, Malaysia.	1.08

Date of circular	Name of company	Description of acquisition	P/RNAV
28 June 2016	3Cnergy Limited	Proposed acquisition of all the issued shares in Liberty Bridge Sdn Bhd at the consideration of S$64 million. Liberty Bridge Sdn Bhd owns the the legal and benefi cial title to several parcels of undeveloped lands in Puteri Harbour, Johor Bahru, Malaysia, and is a vehicle for the Vendors to jointly develop the lands.	0.98
29 December 2016	VGO Corporation Limited	Proposed acquisition of the entire issued and paid-up share capital of Sky Win Management Consultancy Pte Ltd for an aggregate consideration of S$386.0 million. Sky Win Management Consultancy Pte Ltd and its subsidiaries are property developer specialising in integrated residential, hospitality and commercial developments and are one of the leading property developers in Malaysia.	0.76 to 0.84
30 December 2016	LH Group Limited	Proposed acquisition of the entire issued share capital of Pacific Star Development Pte. Ltd. for a purchase consideration of S$140,000,000. The main projects of Pacific Star Development Pte. Ltd. and its subsidiaries are currently located in Iskandar Puteri, Malaysia and in Bangkok, Thailand.	0.86
	Highest		1.08
	Lowest		0.60
29 March 2017	The Company	The Proposed AVL Acquisition	0.98

Source: The respective circulars relating to the respective transactions.

The P/RNAV ratio of the AVL Group is within the range of the Recent Acquisitions.



4.8 COMPARISON WITH RECENT REVERSE TAKEOVER TRANSACTIONS

For the purpose of our evaluation, we have also compared the valuation parameters implied by the Issue Price vis-à-vis selected recent reverse takeover transactions that were completed by companies listed on the SGX-ST (the "**Recent RTO Transactions**").

We wish to highlight that the list of companies involved in the Recent RTO Transactions as set out in the analysis below may not be directly comparable to the Company in terms of size, market capitalisation, business activities, asset base, geographical spread, track record, accounting policy, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits. In addition, the list of Recent RTO Transactions is by no means exhaustive and information relating to the Recent RTO Transactions was compiled from publicly available information. Therefore, any comparison with the Recent RTO Transactions is for illustrative purpose only and merely serves as a guide to illustrate the relative *premia* or discounts for the transactions.

Company	Date of announcement	Issue price (S$)	Premium / (Discount) of issue price over/(to) last transacted price prior to announcement (%)	Issue price over NTA per share (times)
R H Energy Ltd. [(1)] (now known as CWG International Ltd)	25 January 2013	0.690	60.8	1.83
Pteris Global Limited [(2)]	6 February 2013	0.650	5.7	0.97
NH Ceramics Limited (now known as BlackGold Natural Resources Ltd) [(3)]	25 March 2013	0.295	20.4	196.67 [(16)]
W Corporation Limited [(4)] (now known as YuuZoo Corporation Limited)	15 April 2013	1.000	56.3	n.m.
United Fiber System Limited [(5)] (now known as Golden Energy and Resources Limited)	5 June 2013	0.950	(38.7)	n.m.
Scorpio East Holdings Ltd [(6)] (now known as KOP Limited)	26 August 2013	0.210	15.4	1.12
Hisaka Holdings Limited [(7)] (now known as Regal International Group Ltd)	20 December 2013	0.825	41.0	1.11

Company	Date of announcement	Issue price (S$)	Premium / (Discount) of issue price over/(to) last transacted price prior to announcement (%)	Issue price over NTA per share (times)
HanKore Environment Tech Group Limited [8] (now known as China Everbright Water Limited)	30 December 2013	0.625	(21.9)	1.31
St James Holdings Ltd [9] (now known as Perennial Real Estate Holdings Limited)	14 March 2014	0.0267	(50.6)	9.54
E2-Capital Holdings Limited [10] (now known as Astaka Holdings Limited)	17 September 2014	0.2679	25.8	4.49
Brooke Asia Limited [11] (now known as China Star Food Group Limited)	5 November 2014	0.2000	37.0	2.56
LH Group Limited [12] (now known as Pacific Star Development Limited)	20 May 2016	0.8000	40.4	0.64
VGO Corporation Limited [13] (now known as Hatten Land Limited)	6 June 2016	0.3250	153.9	13.05
Maximum			153.9	13.05 [16]
Minimum			(50.6)	0.64
Mean			26.6	3.66
Median			25.8	1.57
The Company	9 June 2017	0.28	37.3 [14]	6.1 [15]

Source: Bloomberg Finance L.P., annual reports and/or announcements of the respective companies.

Notes:

(1) Based on the issue price on a pre-share consolidation basis of S$0.23 and the NTA backing per share (in cash) of S$0.126, as the company will effectively en-cash its existing business for S$36 million via a proposed disposal.

(2) Based on the issue price on a pre-share consolidation basis of S$0.130, the last transacted price on 6 February 2013, being the announcement date of the memorandum of understanding, and the revalued NTA per share of the group as at 31 March 2014 of S$0.134.

(3) Based on the issue price on a pre-share consolidation basis of S$0.059, the last transacted price on 21 March 2013, being the last traded day prior to the announcement date, and the adjusted NTA per share of S$0.0003 following the completion of proposed selective capital reduction exercise.

(4) Based on the issue price on a pre-share consolidation basis of S$0.100 and the last transacted price on 4 October 2013, being the last traded day prior to the announcement date of the conditional share purchase agreement. Issue Price / NTA not meaningful as company was in a net liabilities position as at 30 June 2013.

(5) Based on the issue price on a pre-share consolidation basis of S$0.019 and the last transacted price on 31 May 2013, being the last traded day prior to the announcement date of the heads of agreement. Issue Price / NTA not meaningful as company was in a net liabilities position as at 31 December 2013.

(6) Based on the issue price on a pre-share consolidation basis of S$0.105, the last transacted price on 26 August 2013, being the announcement date of the memorandum of understanding, and the revalued NTA per share of the group as at 31 October 2013 of S$0.094.

(7) Based on the issue price on a pre-Share Consolidation basis of S$0.275, the last transacted price on 19 December 2013, being the last traded day prior to the announcement date, and the unaudited NTA as at 30 June 2014 of S$0.2483 per share.

(8) Based on the effective issue price of S$0.625 on a post share consolidation basis, the last transacted price on 27 December 2013, being the last traded day prior to the framework agreement announcement, and the restated NTA as at 31 December 2013 before the framework agreement announcement.

(9) Based on the issue price of S$0.0267, the last transacted price on 14 March 2014, being the last traded price prior to the announcement, and the unaudited NTA per Share of S$0.0028 as at 30 June 2014.

(10) Based on the issue price on a pre-Share Consolidation basis of S$0.0893, the last transacted price on 16 September 2014, being the last traded day prior to the announcement date, and the unaudited NTA as at 31 August 2015 of S$0.0199 per share.

(11) Based on the issue price of S$0.200, the last transacted price on 29 October 2014, being the last traded price prior to the announcement, and the unaudited NTA per Share of S$0.078 as at 31 May 2015.

(12) Based on the issue price of S$0.800, the last transacted price on 19 May 2016, and the unaudited NTA per Share of S$1.250 as at 30 September 2016.

(13) Based on the issue price of S$0.325, the last transacted price on 23 May 2016, and the en-cashed NTA per Share of S$0.0249 as computed by the independent financial advisor after taking into account the unaudited NTA as at 30 September 2016 and the $2.3 million consideration from the disposal of the existing business.

(14) Based on the Pre-Consolidated Issue Price.

(15) Based on the Pre-Consolidated Issue Price and the Group's unaudited NTA as at 31 December 2016.

(16) Excludes the P/NTA ratio of NH Ceramics Limited which is identified as a statistical outlier.

We note that in respect of Recent RTO Transactions:

(a) the premium of the Pre-Consolidated Issue Price to the last transacted price of the Shares prior to the Announcement Date of 37.3% is within the range and higher than

the mean and median of the corresponding *premia* / discounts of Recent RTO Transactions; and

(b) the ratio of the Pre-Consolidated Issue Price over NTA per Share as at 31 December 2016 of 6.1 times is within the range and above the mean and median issue price over NTA per share ratios of Recent RTO Transactions.

4.9 RATIONALE FOR THE PROPOSED AVL ACQUISITION, THE PROPOSED REGL ACQUISITION AND THE PROPOSED FSVL ACQUISITION

The rationale for the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition is set out in Section 2.5 of the Circular and we recommend that the Directors advise the Shareholders to read the section carefully. We set out certain extracts in *italic* as follows:

- *The Board is of the view that the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition will provide the opportunity for the Company to venture into the growing property development market in Malaysia.*

- *The Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition will provide the Company with the exposure to an attractive niche market in the property development industry in Malaysia.*

- *The Company's existing marble business will also benefit from the current and future projects of the Capital City Group that will provide many opportunities for the Company to supply its unique and high-quality marble products.*

4.10 PROFORMA FINANCIAL EFFECTS OF THE PROPOSED AVL ACQUISITION

The Company has set out the pro forma financial effects of the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition, the Proposed Share Consolidation, the Proposed Share Issue, the Proposed Whitewash Resolutions, the Proposed Increase in Authorised Share Capital, the Proposed Appointment of New Directors, the Proposed Diversification of Core Business, the Proposed Change of Name and the Proposed Share Issue Mandate (collectively, the "**Proposed Transactions**") in Section 10 of the Circular.

We note that the pro forma financial effects were calculated based on the financial year ended 30 June 2016.

In summary, the pro forma financial effects of the Proposed AVL Acquisition are as follows:

(a) the Company would register a profit of S$11.9 million for FY2016 instead of a loss of S$2.9 million and will register an earnings per Share (after the Proposed Share Consolidation) of 0.93 cents for FY2016 instead of a loss per Share of 1.72 cents, after the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition;

(b) the NTA per Share (after the Proposed Share Consolidation) would decrease from 6.05 cents to 2.06 cents, after the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition; and

(c) the gearing would increase from 0.22 times to 0.70 times after the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition.

4.11 OTHER CONSIDERATIONS

In our assessment of the Proposed AVL Acquisition and the Proposed Whitewash Resolutions, we have also considered the following:

(a) The Proposed Whitewash Resolutions

The underlying subject of both the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution is the Proposed AVL Acquisition. The Company is acquiring the entire issued share capital of AVL from the AVL Shareholders on the same terms in proportion to their shareholdings in AVL.

(b) Implications of the Proposed Whitewash Resolutions

By voting in favour of the Proposed Whitewash Resolutions, the Independent Shareholders will be waiving their rights to receive the general offer for all the Shares (or Consolidated Shares) which the respective Obliged Parties would otherwise be obliged to make at the highest price (as adjusted for the Proposed Share Consolidation) paid or agreed to be paid by them for the Shares (or Consolidated Shares) in the past six (6) months preceding the allotment and issue of the Consideration Shares pursuant to the Proposed AVL Acquisition, in accordance with Rule 14 of the Code and Section 139 of the SFA.

Independent Shareholders could also be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the allotment and issue of the Consideration Shares.

(c) Dilution Impact of the Allotment and Issue of the Consideration Shares

As set out in Section 15.2 of the Circular, the shareholding interest of the existing public Shareholders will be diluted from 33.57% as at the Latest Practicable Date to approximately 4.61% of the enlarged share capital of the Company upon Completion.

(d) Moratorium of Consolidated Shares

Following the completion of the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement, the following Consolidated Shares to be held by the AVL Shareholders will be moratorised for a period of six (6) months commencing

from the expected date of the commencement of trading of the Consolidated Shares on Catalist (the "**Initial Period**"):

AVL Shareholders and/or Nominee	Number of Consolidated Shares	Percentage of Enlarged Share Capital (%)
Mr. Siow	501,785,713	39.6
Mr. Colin Tan	250,892,857	19.8
Mr. Edwin Tan	250,892,857	19.8
Total	1,003,571,427	79.2

The AVL Shareholders have also agreed to subject 50% of their respective interests in the aforesaid Consolidated Shares for a further period of six (6) months after the Initial Period.

In addition, pursuant to the Achwell Supplemental Agreement , CCP has undertaken to procure that the AVL Shareholders and/or their Nominees shall be subject to a further moratorium, for a period commencing from the AVL Completion Date until (i) three (3) years commencing from the AVL Completion Date; or (ii) the full settlement of the entitlement sum pursuant to which Achwell Property is entitled to under the Achwell JVA, whichever is the earlier, not to sell, transfer or assign or create any encumbrances over the entire of their beneficial interests over the respective AVL Shareholders' Consideration Shares.

The AVL Shareholders have each entered into a separate letter of undertaking and indemnity dated 17 March 2017 pursuant to which they had undertaken to Achwell Property that they shall (and shall cause that their Nominees), for a period commencing from the AVL Completion Date until (i) three (3) years commencing from the AVL Completion Date; or (ii) the full settlement of the entitlement sum pursuant to which Achwell Property is entitled to under the Achwell JVA, whichever is the earlier, not sell, transfer, assign or create any encumbrances over the entire of their beneficial interests over their Consideration Shares.

ACIL has agreed to subject 12,857,143 Consolidated Shares (or 1.0% of the Enlarged Share Capital), which forms part of the Consolidated Shares to be held by ACIL after the completion of the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition and the Proposed Compliance Placement, for a moratorium period of 12 months commencing from the listing and quotation of the Consolidated Shares on Catalist.

(e) Inter-conditionality

Shareholders should note that:

(i) Ordinary Resolutions 1, 2, 3, 4, 5, 6, 7 and 8 relating to the Proposed AVL Acquisition, the Proposed REGL Acquisition, the Proposed FSVL Acquisition, the Proposed Share Issue, the Siow Whitewash Resolution, the Tan Concert



Parties Whitewash Resolution, the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed Diversification of Core Business and the proposed appointment of Mr. Siow as Proposed Director (collectively, the "**Key Resolutions**"), are inter-conditional;

(ii) Ordinary Resolutions 9, 10, 11 and 12 relating to the proposed appointment of Mr. Tham as Proposed Director, the proposed appointment of Mr. Dominic Tan as Proposed Director, the proposed appointment of Mr. Victor Lye as Proposed Director and the Proposed Share Issue Mandate, are conditional upon the passing of the Key Resolutions; and

(iii) Special Resolution 1 relating to the Proposed Change of Name is conditional upon the passing of the Key Resolutions.

This means that if any of the Key Resolution is not approved, none of the resolutions will be passed.

(f) Undertaking Shareholder

Tritech, the Undertaking Shareholder which has an interest of approximately 56.61% in the total number of issued Shares as at the Latest Practicable Date, has undertaken, *inter alia*,

(i) to hold in aggregate such number of Shares amounting to no less than 51% of the total number of Shares, until the earlier of:

(aa) any of the conditions precedent to the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition (as the case may be) not being fulfilled or waived (as the case may be) on or before the Back-Stop Date; or

(bb) termination of the Restated AVL SPA, the REGL SPA or the FSVL SPA (as the case may be); and

(cc) conclusion of the EGM; and

(ii) to vote, at the EGM, in favour of, *inter alia*, the matters referred to in paragraphs (A)(iv), (B)(iii) and (C)(iii) of Section 2.2(d) of the Circular.

(g) Pre-Consolidated Issue Price as compared to the Placement Price

On 21 April 2016, the Company announced that the Placement had been completed. An aggregate of 68,500,000 Placement Shares had been allotted and issued at a Placement Price of S$0.0405 for each Placement Share. We note that the Pre-Consolidated Issue Price of S$0.07 is at a 72.8% premium to the Placement Price.

(h) Risk Factors

Upon completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, the risk factors relating to the Business will be relevant to the Enlarged Group. Shareholders are advised to read the information in the Section 13 entitled "Risk Factors" of the Circular carefully.

5. OPINION

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Proposed AVL Acquisition and the Proposed Whitewash Resolutions, as summarised below:

(a) Based on the Property Valuation Report, the total GDV of Project Capital City on a present value basis, is estimated to be RM2.4 billion as at 30 September 2016. AVL Group has commenced the sale of Units in Project Capital City and the total revenue generated by the AVL Group from Project Capital City for the period from 1 July 2013 to 30 September 2016 amounted to RM148.3 million, representing about 6.1% of Project Capital City's GDV;

(b) Based on the LPD Exchange Rate, the fair value of the development profit of Project Capital City was S$304.6 million. The AVL Consideration of S$300.0 million is at a discount of S$4.6 million (or 1.5%) to the fair value of the development profits of Project Capital City;

(c) Based on the LPD Exchange Rate, the estimated fair value of 100% interest in CCP as at 30 September 2016 was S$306.2 million. Accordingly, the AVL Consideration of S$300.0 million is at a discount of S$6.2 million (or 2.0%) to the fair value of 100% interest in CCP as at 30 September 2016.

(d) The Pre-Consolidated Issue Price represents a premium of 35.0%, 34.7%, 47.6%, 44.4% and 38.3% to the VWAP of the Shares for the 12-month, 6-month, 3-month, 1-month and the last traded day prior to the Announcement Date respectively;

(e) The Pre-Consolidated Issue Price represents a 389.8% premium to the unaudited NAV per Share of S$0.014 as at 30 September 2016. The Pre-Consolidated Issue Price of S$0.07 represents a 512.8% premium to the unaudited NTA per Share of S$0.011 as at 30 September 2016;

(f) The EV/EBITDA ratio and P/E ratio of the AVL Group, as implied by the AVL Consideration are within the range but above the mean and the median of the Selected Comparable Companies;

(g) The P/NAV ratio of the AVL Group, as implied by the AVL Consideration and based on the latest combined NAV of the AVL Group, is above the range, the mean and the median of the Selected Comparable Companies;

(h) The P/NAV ratio of the AVL Group, as implied by the AVL Consideration and based on the Estimated NAV, is within the range, and below the mean and median of the Selected Comparable Companies;

(i) The P/RNAV ratio of the AVL Group is within the range of the Recent Acquisitions;

(j) The premium of 37.3% of the Pre-Consolidated Issue Price to the last transacted price of the Share prior to the Announcement Date is within the range and higher than the mean and median of the corresponding *premia* / discounts of Recent RTO Transactions;

(k) The ratio of the Pre-Consolidated Issue Price over NTA per Share as at 31 December 2016 of 6.1 times is within the range and above the mean and median P/NTA ratios of Recent RTO Transactions;

(l) Based on the pro forma financial effects presented by the Company, the Company will have an earnings per Share instead of a loss per Share after the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition but before the Proposed Compliance Placement although its NTA per Share will be lower due to the dilutive effects from the allotment and issue of the Consideration Shares;

(m) other considerations as set out in paragraph 4.11 of this IFA Letter.

Accordingly, after taking into account the above factors, we are of the opinion as of the date hereof that, on balance, the terms of the Proposed AVL Acquisition, being the subject of the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution, are fair and reasonable; and the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution are not prejudicial to the interests of the Independent Shareholders.

We therefore advise the Directors to recommend to Independent Shareholders to vote in favour of the Siow Whitewash Resolution and the Tan Concert Parties Whitewash Resolution.

This IFA Letter is addressed to the Directors for their benefit, in connection with and for the purpose of their consideration of the terms of the Proposed AVL Acquisition and the Proposed Whitewash Resolutions. Any decision made by the Directors in relation to the Proposed AVL Acquisition and the Proposed Whitewash Resolutions shall remain the responsibility of the Directors. Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose other than the Proposed AVL Acquisition and the Proposed Whitewash Resolutions, at any time and in any manner without the prior written consent of Xandar Capital in each specific case.

This opinion and recommendation is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly
For and on behalf of
XANDAR CAPITAL PTE LTD

LOO CHIN KEONG EXECUTIVE DIRECTOR	PAULINE SIM POI LIN HEAD OF CORPORATE FINANCE

APPENDIX B – COMBINED FINANCIAL STATEMENTS OF ALTIMATE VENTURES LIMITED AND ITS SUBSIDIARIES WITH INDEPENDENT AUDITOR'S REPORT FOR THE FINANCIAL YEARS ENDED 30 JUNE 2014, 2015 AND 2016

Altimate Ventures Limited and its Subsidiaries

Independent Auditor's Report on the Combined Financial Statements
For the financial years ended 30 June 2014, 2015 and 2016

Report on the Financial Statements

We have audited the accompanying combined financial statements of Altimate Ventures Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the combined statements of financial position of the Group as at 30 June 2014, 2015 and 2016, the combined statements of changes in equity of the Group and combined statements of comprehensive income and combined statements of cash flows of the Group for the years ended 30 June 2014, 2015 and 2016, and a summary of significant accounting policies and other explanatory information as set out on pages B-3 to B-54.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. 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 combined financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Altimate Ventures Limited and its Subsidiaries

Independent Auditor's Report on the Combined Financial Statements
For the financial years ended 30 June 2014, 2015 and 2016

Opinion

In our opinion, the combined financial statements of the Group present fairly, in all material respects, the financial position of the Group as at 30 June 2014, 2015 and 2016, and its financial performance, changes in equity and cash flows for the years ended 30 June 2014, 2015 and 2016 in accordance International Financial Reporting Standards.

Restriction on distribution and use

This report is made solely to you as a body and for the inclusion in the circular to shareholders of Terratech Group Limited to be issued in connection with the proposed acquisition of the entire issued and paid up share capital of the Company and for no other purpose.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

Partner in charge: Ng Boon Heng

Altimate Ventures Limited and its Subsidiaries

Combined Statements of Comprehensive Income
For the financial years ended 30 June 2014, 2015 and 2016

	Note	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	14.6.2013 to 30.6.2014
		RM'000	RM'000	RM'000
Revenue	5	81,637	37,095	1,936
Cost of sales		(19,053)	(9,221)	(1,133)
Gross profit		62,584	27,874	803
Other income	6	4,428	1,066	216
Selling and distribution expenses		(4,213)	(7,538)	(16,449)
General and administrative expenses		(5,420)	(4,321)	(2,222)
Finance costs		(7)	(7)	(6)
Profit/(loss) before tax	7	57,372	17,074	(17,658)
Income tax (expense)/credit	8	(14,460)	(5,584)	3,965
Profit/(loss) after tax		42,912	11,490	(13,693)
Other comprehensive income for the year, net of tax		–	–	–
Total comprehensive income/(loss) for the year		42,912	11,490	(13,693)
Earnings per share attributable to ordinary equity holders of the parent				
– Basis and diluted	20	N/A	N/A	N/A

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Altimate Ventures Limited and its Subsidiaries

Combined Statements of Financial Position
As at 30 June 2014, 2015 and 2016

	Note	30.6.2016	30.6.2015	30.6.2014
		RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	9	65,272	46,052	39,039
Inventory properties	10	83,645	120,484	99,673
Investment property under construction	11	124,946	78,399	55,938
Deferred expenditure	12	2,540	9,362	5,646
Deferred tax assets	18	–	–	4,019
Other receivables	13	–	2,700	–
		276,403	256,997	204,315
Current assets				
Inventory properties	10	148,805	70,916	61,709
Deferred expenditure	12	9,331	2,658	2,346
Trade and other receivables	13	17,374	27,966	8,283
Prepayments		810	720	662
Tax recoverable		–	4,293	–
Fixed deposits	14	12,698	12,166	–
Cash and bank balances	14	1,383	18,559	41,217
		190,401	137,278	114,217
Total assets		466,804	394,275	318,532
Current liabilities				
Hire purchase payables	15	48	46	71
Trade and other payables	16	106,054	64,470	53,787
Deferred revenue	17	157,744	130,069	60,008
Provision for taxation		4,355	–	54
		268,201	194,585	113,920
Net current (liabilities)/assets		(77,800)	(57,307)	297
Non-current liabilities				
Hire purchase payables	15	83	136	292
Trade payables	16	149,941	195,299	213,913
Deferred tax liabilities	18	2,870	1,458	–
		152,894	196,893	214,205
Total liabilities		421,095	391,478	328,125
Net assets/(liabilities)		45,709	2,797	(9,593)
Equity				
Share capital	19	5,000	5,000	4,100
Reserves		40,709	(2,203)	(13,693)
Total equity/(deficit)		45,709	2,797	(9,593)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Altimate Ventures Limited and its Subsidiaries

Combined Statements of Changes in Equity
For the financial years ended 30 June 2014, 2015 and 2016

	Note	Share capital*	Retained earnings/ (accumulated losses)*	Total
		RM'000	RM'000	RM'000
As at 14 June 2013@		#	–	#
Total comprehensive loss for the year		–	(13,693)	(13,693)
Contributions by the equity holder of a subsidiary	19	4,100	–	4,100
As at 30 June 2014 and 1 July 2014		4,100	(13,693)	(9,593)
Total comprehensive loss for the year		–	11,490	11,490
Contributions by the equity holder of a subsidiary	19	900	–	900
As at 30 June 2015 and 1 July 2015		5,000	(2,203)	2,797
Total comprehensive income for the year		–	42,912	42,912
As at 30 June 2016		5,000	40,709	45,709

* These reserves accounts comprise the combined reserves in the combined statements of financial position as at 30 June 2014, 2015 and 2016.

@ Date of incorporation of the Group

Share capital of the Group at less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Altimate Ventures Limited and its Subsidiaries

Combined Statements of Cash Flow
For the financial years ended 30 June 2014, 2015 and 2016

	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	14.6.2013 to 30.6.2014
	RM'000	RM'000	RM'000
Cash flows from operating activities			
Profit/(loss) before tax	57,372	17,074	(17,658)
Adjustments for:			
Depreciation of property, plant and equipment	250	232	63
Deferred expenditure amortised	3,659	2,407	55
Property, plant and equipment written off	–	–	6
Gain on disposal of property, plant and equipment	–	(27)	–
Interest income	(437)	(428)	(126)
Interest expense	7	7	6
Operating cash flows before changes in working capital	60,851	19,265	(17,654)
Changes in working capital:			
Inventory properties	(29,501)	(19,222)	(158,794)
Deferred expenditure	(3,509)	(6,435)	(8,047)
Trade and other receivables	40,875	47,620	51,062
Trade and other payables	(22,237)	(25,193)	263,563
	46,479	16,035	130,130
Interest paid	(7)	(7)	(6)
Interest received	437	428	126
Tax paid	(4,400)	(4,454)	–
Net cash flows generated from operating activities	42,509	12,002	130,250
Cash flows from investing activities			
Purchase of property, plant and equipment	(16,618)	(4,717)	(38,048)
Proceeds from disposal of property, plant and equipment	–	167	–
Expenditure on investment property under construction	(42,485)	(18,663)	(55,028)
Net cash flows used in investing activities	(59,103)	(23,213)	(93,076)

Altimate Ventures Limited and its Subsidiaries

Combined Statements of Cash Flow
For the financial years ended 30 June 2014, 2015 and 2016

	Note	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	14.6.2013 to 30.6.2014
		RM'000	RM'000	RM'000
Cash flows from financing activities				
Proceeds from issuance of ordinary shares in a subsidiary		–	900	4,100
Repayment of hire purchase payables		(50)	(181)	(57)
Placement of secured deposit		(119)	–	–
Net cash flows (used in)/generated from financing activities		(169)	719	4,043
Net (decrease)/increase in cash and cash equivalents		(16,763)	(10,492)	41,217
Cash and cash equivalents at 1 July/ 14 June 2013 (date of incorporation)		30,725	41,217	–
Cash and cash equivalents at 30 June	14	13,962	30,725	41,217

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Altimate Ventures Limited and its Subsidiaries

Notes to the Combined Financial Statements
For the financial years ended 30 June 2014, 2015 and 2016

1. Corporate information

Altimate Ventures Limited (the "Company" or "AVL") was incorporated in British Virgin Islands as an exempted limited company on 23 November 2016 with an issued and paid up share capital of US$4. The registered office of the Company is at c/o Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

On 9 June 2016, Terratech Group Limited entered into a conditional sale and purchase agreement (the "SPA") with Siow Chien Fu, Tan June Teng Colin and Tan Ping Huang Edwin (the "Vendors") in relation to the proposed acquisition of the entire issued and paid-up share capital of Capital City Property Sdn. Bhd. ("CCP") for a consideration to be satisfied in full by the issuance and allotment of new ordinary shares in the capital of Terratech Group Limited ("Consideration Share") at the issue price of 7.00 cents per Consideration Share ("Issue Price") (the "Proposed AVL Acquisition").

The Parties agree that the purchase consideration for the Sale Shares payable by the Company shall be S$300,000,000 ("Consideration"), which shall be fully satisfied, on Completion (as defined below), by the issuance and allotment of 1,071,428,569 Consideration Shares, to the Vendors and/or parties as may be nominated or requested by the Vendors.

The Company and the Vendors have subsequently agreed to restructure the Proposed Acquisition such that the acquisition of CCP shall be via the acquisition of all of the issued and paid-up shares in the Company, which, in turn, will hold the entire issued and paid-up share capital of CCP. Accordingly, the Company had, on 6 January 2017 entered into an amending and restatement deed ("Deed") with the Vendors, to amend and restate the SPA in its entirety (the SPA, as amended and restated by the Deed, shall be referred to hereinafter as the "Amended AVL SPA") and two separate sale and purchase agreements to acquire all of the issued and paid-up shares of First Star Ventures Limited ("FSVL") and Rise Expedition Global Limited ("REGL"). FSVL and REGL were incorporated on 8 December 2016 and 9 September 2016, respectively. Other than the separate joint venture agreements signed by FSVL's and REGL's respective subsidiaries, the companies were dormant since the date of incorporation.

The Company and its subsidiaries (the "Target Group") is to be formed through a restructuring exercise where the Company becomes the holding company of CCP through a share swap arrangement. Pursuant to the share swap arrangement, the Company will issue and allotted 96 ordinary shares to the shareholders of CCP for an aggregate consideration of US$96 (equivalent to RM422) for the entire issued share capital of CCP. As a result, the Target Group represents the continuation of CCP.

Altimate Ventures Limited and its Subsidiaries

Notes to the Combined Financial Statements
For the financial years ended 30 June 2014, 2015 and 2016

1. Corporate information (cont'd)

Upon completion of the Restructuring Exercise, the Company will have direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Company name	Country of incorporation	Percentage of equity attributable to the Company		Principal activities	Note
		Direct	Indirect		
		%	%		
Capital City Property Sdn. Bhd.	Malaysia	100	–	Property development and property investment	1
Capital City Management Pte. Ltd.	Singapore	–	100	Business and management consultancy services	2

Notes:

1 The Company was incorporated on 14 June 2013 and audited by member firms of Ernst & Young, Malaysia.

2 Incorporated on 30 August 2016.

2. Basis of presentation

Pursuant to the Restructuring Exercise as more fully explained in the section headed "Group Structure – Restructuring Exercise" in the circular, the Company shall become the holding company of the Capital City Property Sdn. Bhd. now comprising the Group subsequent to the end of the years ended 30 June 2014, 2015 and 2016. The companies now comprising the Group under the common control of the controlling shareholders before and after the Restructuring Exercise. Accordingly, for the purpose of this report, the combined financial statements have been prepared by applying the principles of merger accounting as if the Restructuring Exercise had been completed on 14 June 2013.

The combined statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the years ended 30 June 2014, 2015 and 2016 includes the results and cash flows of Capital City Property Sdn. Bhd. now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the controlling shareholders. The combined statements of financial position of the Group as at 30 June 2014, 2015 and 2016 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Restructuring Exercise.

3. Summary of significant accounting policies

3.1 *Basis of preparation*

The combined financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These combined financial statements for the year ended 30 June 2016 are the first the Group has prepared in accordance with IFRS.

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 Malaysian Ringgit (RM) and all values in the tables are rounded to the nearest thousand (RM'000), except when otherwise indicated.

3.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial years, except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual financial periods beginning on or after 1 July 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group. During the financial year, the Group has adopted IFRS 15 *Revenue from Contracts with Customers* which is effective for annual periods beginning on or after 1 January 2018 as detailed below.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Under IFRS 15, the revenue from the sale of properties in Malaysia fulfilled the revenue recognition criteria based on percentage of completion. Revenue from sales of retail properties where the contracts are not in substance construction contracts and do not lead to continuous transfer of work in progress, is recognised when both: (i) construction is complete; and (ii) either legal title to the property has been transferred or there has been an unconditional exchange of contracts. Construction and other expenditure attributable to such property are included in inventory property.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units which are incurred to secure the sales contracts are deferred and expensed by matching to the revenue. The Group has applied the standard retrospectively in full.

3. Summary of significant accounting policies (cont'd)

3.3 ***Standards issued but not yet effective***

The Group has not adopted the following standards and interpretations that have been issued but not yet effective except for IFRS 15:

Description	Effective for annual periods beginning on or after
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants	1 January 2016
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016
Amendments to IAS 1: Disclosure Initiatives	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to IAS 7: Disclosure Initiative	1 January 2017
IFRS 9 Financial Instruments (IFRS issued by IASB in July 2014)	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 and IAS 28: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Except for IFRS 9, the directors expect that the adoption of the other standards above will have no material impact on the combined financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of IFRS 9 is described below.

3. Summary of significant accounting policies (cont'd)

3.3 ***Standards issued but not yet effective (cont'd)***

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for classification and measurement, impairment of financial assets and hedge accounting. IFRS 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 in the year of adoption. The Group is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

3.4 ***Foreign currency***

The combined financial statements are presented in RM, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Group and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

3.5 ***Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

3. Summary of significant accounting policies (cont'd)

3.5 ***Property, plant and equipment (cont'd)***

When significant parts of property, 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 criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	3 years
Furniture and fittings	5 years
Motor vehicles	5 years
Office equipment	5 years
Renovation	5 years

Building-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

3. Summary of significant accounting policies (cont'd)

3.6 ***Inventory properties***

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and net realisable value ("NRV").

Cost include:

– Land acquisition cost;

– Amounts paid to contractors for construction;

– Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other directly related costs.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are deferred and expensed by matching to the revenue. Deferred commission are presented as deferred expenditure in the statement of financial position.

Net realisable value of inventory property is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and estimated costs necessary to make the sale.

The costs of inventory property recognised in profit and loss on disposal sale are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the net floor area of the property sold.

The progress billings net of revenue recognised are presented separately as deferred revenue in the combined statements of financial position.

3.7 ***Investment properties***

Investment property comprises completed property and property under construction or re-development that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer taxes, legal fees and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the costs of replacing part of an existing investment property at the time that costs is incurred if the recognition criteria are met.

3. Summary of significant accounting policies (cont'd)

3.7 ***Investment properties (cont'd)***

Investment property is stated at cost, net of depreciation and any accumulated impairment losses. Depreciation is provided on the straight line basis so as to write off the cost of the investment property over its estimated useful lives. Operational lives and residual values are reviewed annually in the light of experience and changing circumstances, and adjusted as appropriate at each reporting period.

Construction-in-progress included in the investment properties are not amortised as these assets are not yet available for use.

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.

Investment property is derecognised either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit and loss in the period of derecognition.

3.8 ***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 indication exists, or when an annual impairment testing 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 or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

3. Summary of significant accounting policies (cont'd)

3.8 ***Impairment of non-financial assets (cont'd)***

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.

3.9 ***Financial instruments***

(a) ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised 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.

3. Summary of significant accounting policies (cont'd)

3.9 ***Financial instruments (cont'd)***

(a) ***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 it, the asset is recognised to the extent of its continuing involvement in it. 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.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is any 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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.

3. Summary of significant accounting policies (cont'd)

3.9 ***Financial instruments (cont'd)***

(a) ***Financial assets (cont'd)***

Financial assets carried at amortised cost (cont'd)

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 effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 in the statement of profit or 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 profit or loss.

(b) ***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

After initial recognition, financial liabilities not measured at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

3. Summary of significant accounting policies (cont'd)

3.9 ***Financial instruments (cont'd)***

(b) ***Financial liabilities (cont'd)***

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset with the net amount reported in the combined statements of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.10 ***Fair value measurement***

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 from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

3. Summary of significant accounting policies (cont'd)

3.10 ***Fair value measurement (cont'd)***

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is 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 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value 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.

Policies and procedures are determined by senior management for both recurring fair value measurement.

External valuers are involved for valuation of significant assets and significant liabilities, involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

3. Summary of significant accounting policies (cont'd)

3.11 ***Basis of consolidation and business combinations***

(a) ***Basis of consolidation***

The financial statements comprise the financial statements of the Company and its subsidiary companies as at the end of the reporting period. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

3. Summary of significant accounting policies (cont'd)

3.11 ***Basis of consolidation and business combinations (cont'd)***

(a) ***Basis of consolidation (cont'd)***

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(b) ***Business combinations***

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities
- No additional goodwill is recognised as a result of the combination
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve

3. Summary of significant accounting policies (cont'd)

3.11 ***Basis of consolidation and business combinations (cont'd)***

(b) ***Business combinations (cont'd)***

- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place

- Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

3.12 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3.13 ***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 economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits 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.

3.14 ***Leases***

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

3. Summary of significant accounting policies (cont'd)

3.14 ***Leases (cont'd)***

As a lessee

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

As a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the 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 bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.15 ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms or payment and excluding sales taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised.

3. Summary of significant accounting policies (cont'd)

3.15 ***Revenue (cont'd)***

(a) *Sale of development property*

A property is regarded as sold when the significant risks and rewards of ownership of the real estate have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

Sales of property under development

Where property is under development and agreement has been reached to sell such property when construction is complete, the directors consider whether the contract

– A contract to construct a property; or

– A contract for the sale of a completed property.

Where a contract is determined to be for the construction of a property, revenue is recognised using the percentage of completion method as construction progresses. Where the contract is determined to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer. If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition is applied and revenue is recognised as work progresses. Continuous transfer of work in progress is applied when:

– The buyer controls the work-in-progress, typically when the land on which the development takes place is owned by the final customer, and

– All significant risks and rewards of the ownership of the work-in-progress in its present state are transferred to the Group.

In such situations, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

(b) *Interest Income*

Interest income is recognised using the effective interest method.

3. Summary of significant accounting policies (cont'd)

3.15 ***Revenue (cont'd)***

(c) *Forfeiture income*

Forfeiture income is recognised when deposits or instalments paid by customers are forfeited by the Group according to the terms of the Sales and Purchase Agreement.

3.16 ***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 or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.17 ***Employee benefits***

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3. Summary of significant accounting policies (cont'd)

3.18 ***Taxes***

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods 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 at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current taxes are recognised in profit or loss except to the extent that tax relating to items recognised outside profit or loss, either in other comprehensive income 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.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period 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.

3. Summary of significant accounting policies (cont'd)

3.18 ***Taxes (cont'd)***

(b) *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 the end of each reporting period 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 the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 end of each reporting period.

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 other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. Summary of significant accounting policies (cont'd)

3.18 ***Taxes (cont'd)***

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

3.19 ***Share capital and share issue expenses***

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

3.20 ***Operating segment***

For management purpose, management monitors the operating results of the Group's business unit based on property development as a whole for the purpose of making decisions about resource allocation and performance assessment. No operating segment information is presented in accordance with IFRS 8 *Operating Segments.*

4. Significant accounting judgements and estimates

The preparation of the Group's combined financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

4. Significant accounting judgements and estimates (cont'd)

(a) Judgements made in applying accounting policies

In the process of the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the combined financial statements:

Classification of properties

The Group determines whether a property is classified as property, plant and equipment, investment property or inventory property:

– Property, plant and equipment are owner-occupied property. Principally, these are hotel and car park that are held for use in the production or supply of goods or services.

– Investment property comprises land and buildings (principally offices, commercial warehouse and retail property) that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

– Inventory property comprises property that is held for sale in the ordinary course of business. Principally, these are residential properties, suites and retail units that the Group develops and intends to sell before or on completion of construction.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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. The Group based its assumptions and estimates on parameters available when the combined financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

4. Significant accounting judgements and estimates (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(i) *Revenue recognition and inventory properties*

When a contract for the sale of a property upon completion of construction is judged to be a construction contract, revenue is recognised using the percentage-of-completion method as construction progresses. The Group considers the terms and conditions of the contract, including how the contract was negotiated and the structural elements that the customer specifies when identifying individual projects as construction contracts. The percentage of completion is estimated by reference to the stage of the projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

The Group recognises property development revenues and expenses in the combined statements of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date compared to the estimated total property development costs.

Significant estimate is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the property development costs. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised to the extent of property development costs incurred that it is probable will be recovered until the activity reaches a desired stage of completion, which the Group views as a reasonable benchmark based on past experience and by relying on the work of specialists.

(ii) *Income taxes and deferred tax*

Judgement is involved in determining the Group's position for income taxes as there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

4. Significant accounting judgements and estimates (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(ii) *Income taxes and deferred tax (cont'd)*

The Group recognised liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of this matter is different form the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowance can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with the future tax planning strategies. The total carrying value of recognised deferred tax assets on tax losses and capital allowance of the Group was approximately RM 6,083,000, RM 1,606,000 and RM Nil for the financial years ended 30 June 2014, 2015 and 2016, respectively.

5. Revenue

Revenue represents income recognised from the sale of development property, recognised on a percentage-of-completion basis.

6. Other income

	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	14.6.2013 to 30.6.2014
	RM'000	**RM'000**	**RM'000**
Interest income	437	428	126
Miscellaneous income	146	239	90
Forfeiture Income	3,845	399	–
	4,428	1,066	216

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7. Profit/(loss) before tax

The following items have been included in arriving at profit/(loss) before tax:

	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	14.6.2013 to 30.6.2014
	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	250	232	63
Property, plant and equipment written off	–	–	6
Gain on disposal of property, plant and equipment	–	(27)	–
Interest expense	7	7	6
Employee benefits expense:			
Salaries and bonuses	1,797	1,632	333
Social security contributions	14	14	7
Contributions to defined contribution plan	177	189	30
Others	–	7	–
Rental of office premise	216	198	–
Rental of office equipment	35	13	–
Realised foreign exchange (gain)/loss	(170)	62	–

Included in employee benefits expense of the Group are directors' remuneration amounting to RM Nil, RM Nil, RM 360,000 for the financial years ended 30 June 2014, 2015 and 2016, respectively.

8. Income tax expense/(credit)

	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	14.6.2013 to 30.6.2014
	RM'000	RM'000	RM'000
Current year			
Current tax	13,048	107	54
Deferred tax	1,412	5,477	(4,019)
Income tax expense/(credit)	14,460	5,584	(3,965)

8. Income tax expense/(credit) (cont'd)

The income tax expense/(credit) is attributable to Capital City Property Sdn. Bhd.. The domestic income tax is calculated at the Malaysia statutory tax rate of 25%, 25% and 24% for the financial years ended 30 June 2014, 2015 and 2016, respectively. The Malaysia statutory tax rate has been reduced from 25% to 24% with effect from year of assessment 2016 (financial year ended 30 June 2016). The computation of the deferred tax as at 30 June 2015 has factored in the change in the statutory audit tax rate.

The reconciliation between the income tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 30 June 2014, 2015 and 2016 are as follows:

	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	14.6.2013 to 30.6.2014
	RM'000	RM'000	RM'000
Profit/(loss) before tax	57,372	17,074	(17,658)
Tax rate	24%	25%	25%
Taxation at statutory tax rate	13,770	4,269	(4,415)
Adjustments:			
Non-deductible expenses	690	1,315	450
	14,460	5,584	(3,965)

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9. Property, plant and equipment

Group	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Renovation	Freehold land	Building-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost:								
At 14.6.2013	–	–	–	–	–	–	–	–
Additions	196	47	424	63	–	37,583	795	39,108
Written off	(3)	–	–	(3)	–	–	–	(6)
At 30.6.2014 and 1.7.2014	193	47	424	60	–	37,583	795	39,102
Additions	86	47	55	49	243	–	6,905	7,385
Disposals	–	–	(161)	–	–	–	–	(161)
At 30.6.2015 and 1.7.2015	279	94	318	109	243	37,583	7,700	46,326
Additions	8	14	–	1	–	–	19,447	19,470
At 30.6.2016	287	108	318	110	243	37,583	27,147	65,796

9. Property, plant and equipment (cont'd)

Group	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Renovation	Freehold land	Building-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation								
At 14.6.2013	–	–	–	–	–	–	–	–
Charge for the year	25	5	28	5	–	–	–	63
At 30.6.2014 and 1.7.2014	25	5	28	5	–	–	–	63
Charge for the year	87	18	65	19	43	–	–	232
Disposals	–	–	(21)	–	–	–	–	(21)
At 30.6.2015 and 1.7.2015	112	23	72	24	43	–	–	274
Charge for the year	95	21	63	22	49	–	–	250
At 30.6.2016	207	44	135	46	92	–	–	524
Net carrying amount:								
At 30.6.2014	168	42	396	55	–	37,583	795	39,039
At 30.6.2015	167	71	246	85	200	37,583	7,700	46,052
At 30.6.2016	80	64	183	64	151	37,583	27,147	65,272

9. Property, plant and equipment (cont'd)

(a) The carrying amount of property, plant and equipment of the Group held under hire purchase as at 30 June 2014, 2015 and 2016 were RM 393,000, RM 193,000 and RM 141,000, respectively.

(b) The additions in property, plant and equipment are by means of:

	30.6.2016	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000
Cash invested in property, plant and equipment	16,618	4,717	38,048
Hire purchase financing	–	–	420
Interest capitalised (including unwinding interest for the consideration payable to land owner)	2,852	2,668	640
	19,470	7,385	39,108

(c) On 26 December 2013, Capital City Property Sdn. Bhd. entered into a Joint Venture Agreement ("JVA") with Achwell Property Sdn Bhd ("APSB") to develop and construct an integrated project with retail, hotel, suites and residential facilities on a piece of land which APSB is the registered and beneficial owner, herein referred to as JV land.

The fair value consideration payable for the JV land which the building-in-progress is erected on is determined based on the present value of the deferred payment to APSB.

The titles of the JV land have yet to be transferred to the Group and will only be transferred when the purchase consideration of the land has been fully paid by Capital City Property Sdn. Bhd..

The acquisition cost of the JV land has been recognised in property, plant and equipment, investment property and inventory properties according to the intent of use and net floor area of the property sold.

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10. Inventory properties

Non-current	30.6.2016	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000
As at 1 July/date of incorporation:			
Development costs incurred (including consideration payable to land owner)	120,484	99,673	–
Additions:			
Development costs incurred (including consideration payable to land owner)	13,679	20,811	99,673
Transfer to current:			
Development costs incurred (including consideration payable to land owner)	(50,518)	–	–
As at 30 June	83,645	120,484	99,673
Current			
As at 1 July/date of incorporation:	70,916	61,709	–
Development costs incurred (including consideration payable to land owner)	37,564	13,078	61,176
Interest capitalised	7,303	3,893	933
Transfer from non-current inventory properties	50,518	–	–
Costs recognised in profit and loss	(17,496)	(7,764)	(400)
As at 30 June	148,805	70,916	61,709

On 26 December 2013, Capital City Property Sdn. Bhd. entered into a Joint Venture Agreement ("JVA") with Achwell Property Sdn Bhd ("APSB") to develop and construct an integrated project with retail, hotel, suites and residential facilities on a piece of land which APSB is the registered and beneficial owner, herein referred to as JV land.

The fair value consideration payable for the JV land which the inventory properties is erected on is determined based on the present value of the deferred payment to APSB.

The titles of the JV land have yet to be transferred to the Group and will be transferred to when the purchase consideration of the land has been fully paid by Capital City Property Sdn. Bhd..

The acquisition cost of the JV land has been recognised in property, plant and equipment, investment property and inventory properties according to the intent of use and net floor area of the property sold.

11. Investment property under construction

	30.6.2016	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000
As at 1 July/date of incorporation	78,399	55,938	–
Development cost incurred (including consideration payable to land owner)	42,485	18,663	55,028
Interest capitalised	4,062	3,798	910
As at 30 June	124,946	78,399	55,938

On 26 December 2013, Capital City Property Sdn. Bhd. entered into a Joint Venture Agreement ("JVA") with Achwell Property Sdn Bhd ("APSB") to develop and construct an integrated project with retail, hotel, suites and residential facilities on a piece of land which APSB is the registered and beneficial owner, herein referred to as JV land.

The fair value consideration payable for the JV land which the investment property is erected on is determined based on the present value of the deferred payment to APSB.

The titles of the JV land have yet to be transferred to the Group and will be transferred to when the purchase consideration of the land has been fully paid by Capital City Property Sdn. Bhd..

The acquisition cost of the JV land has been recognised in property, plant and equipment, investment property and inventory properties according to the intent of use and net floor area of the property sold.

The interest capitalised consists of unwinding interest for the consideration payable for allocated land cost capitalised in investment property under construction.

12. Deferred expenditure

	30.6.2016	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000
As at 1 July/date of incorporation	12,020	7,992	–
Add: Incurred during the financial year	3,510	6,435	8,047
	15,530	14,427	8,047
Less: Costs recognised in profit or loss	(3,659)	(2,407)	(55)
As at 30 June	11,871	12,020	7,992
Current	9,331	2,658	2,346
Non-current	2,540	9,362	5,646
Total deferred expenditure	11,871	12,020	7,992

Deferred expenditure relating to sales agent commission and legal costs incurred to secure sales of property units are recognised in the profit or loss in proportion to the income recognised for the respective financial years.

13. Trade and other receivables

	30.6.2016	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000
Current			
Trade receivables – third parties	12,218	26,418	6,539
Other receivables			
Sundry receivables	4,927	1,284	138
Deposits	210	264	45
Amount due from director-related companies	19	–	1,561
	17,374	27,966	8,283
Non-current			
Other receivables – amount due from subcontractor	–	2,700	–
Total trade and other receivables	17,374	30,666	8,283
Add: Cash and bank balances (Note 14)	14,081	30,725	41,217
Total loans and receivables	31,455	61,391	49,500

13. Trade and other receivables (cont'd)

Trade receivables

Trade receivables are non-interest bearing and are generally on 14 days' credit term. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The Group seeks to maintain strict control over its outstanding receivables. The Group's trade receivables relate to a large number of diversified customers and there is no concentration of credit risk. Trade receivables are non-interest bearing.

Other receivables

Other receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair value on initial recognition. The normal credit term range between 30 and 60 days and other credit terms are assessed and approved on a case-by-case basis.

Amount due from director-related companies

Amount due from director-related companies are unsecured, interest-free and repayable on demand.

Amount due from subcontractor

These are unsecured, interest-free and not expected to be collected within the next twelve months.

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are progress invoices billed to customers based on stage of building completion pending loan releases from financiers. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial years.

Receivables that are past due but not impaired

The Group has trade receivables amounting to approximately RM 3,234,000, RM 22,982,000 and RM 9,610,000 for the financial years ended 30 June 2014, 2015 and 2016, respectively that are past due at the end of the reporting period but not impaired. However, the directors are of the opinion that these receivables should be collected in full without material losses in the ordinary course of business. The trade receivables that are past due but not impaired are unsecured in nature.

13. Trade and other receivables (cont'd)

Receivables that are past due but not impaired (cont'd)

These receivables are unsecured and the analysis of their aging at the end of reporting period is as follows:

	30.6.2016	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000
Trade receivables past due but not impaired:			
Less than 30 days	2,196	54	3,167
30 – 60 days	94	16,834	–
60 – 90 days	682	107	–
More than 90 days	6,638	5,987	67
	9,610	22,982	3,234

Receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience, the directors of the Group are of the opinion that no further provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the carrying amounts of these balances are still considered fully recoverable.

14. Cash and bank balances and fixed deposits

	30.6.2016	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000
Fixed deposits	12,698	12,166	–
Cash on hand and at banks	1,383	18,559	41,217
Total cash and bank balances	14,081	30,725	41,217
Less: Deposit not available for use	(119)	–	–
Cash and cash equivalents	13,962	30,725	41,217

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of up to 30 days depending on the immediate cash requirements of the Group. The weighted average interest rates for the balance of deposit with banks is Nil, 2.79% and 3.35% for the financial years ended 30 June 2014, 2015 and 2016, respectively. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

14. Cash and bank balances and fixed deposits (cont'd)

Included in deposit with licensed bank of the Group are RM 119,000 for the financial year ended 30 June 2016 which are pledged as security for bank guarantees granted for the Group.

15. Hire purchase payables

	30.6.2016	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000
Minimum lease payments:			
Not later than 1 year	53	53	87
Later than 1 year but not later than 2 years	53	53	87
Later than 2 years but not later than 5 years	33	92	230
Total minimum lease payments	139	198	404
Less: Amounts representing finance charges	(8)	(16)	(41)
Present value of minimum lease payments	131	182	363
Present value of payments:			
Not later than 1 year	48	46	71
Later than 1 year but not later than 2 years	50	48	71
Later than 2 years but not later than 5 years	33	88	221
Present value of minimum lease payments	131	182	363
Less: Amount due within 12 months	(48)	(46)	(71)
Amount due after 12 months	83	136	292
Interest rate	2.47%	2.47%	2.43%

These obligations are secured by a charge over the leased assets (Note 9).

16. Trade and other payables

	30.6.2016	30.6.2015	30.6.2014
Current	**RM'000**	**RM'000**	**RM'000**
Trade payables			
Third parties	85,989	52,850	32,671
Other payables			
Sundry payables	10,224	7,040	15,965
Accruals	9,841	4,580	5,151
Total current trade and other payables	106,054	64,470	53,787
Non-current			
Trade payables	149,941	195,299	213,913
Total trade and other payables	255,995	259,769	267,700
Add: Hire purchase payables (Note 15)	131	182	363
Total financial liabilities carried at amortised cost	256,126	259,951	268,063

Trade payables (current)

The normal trade credit term granted to the Group are up to 60 days for the financial years ended 30 June 2014, 2015 and 2016.

Other payables

Other payables are mainly unsecured, interest free and repayable on demand.

Trade payables (non-current)

The fair value consideration payable for the land owner which is determined based on the present value of the deferred payment at 7.1% for the financial years ended 30 June 2014, 2015 and 2016.

17. Deferred revenue

Deferred revenue relates to advance progress billings in respect of inventory properties less amount recognised as revenue in the combined statements of comprehensive income.

18. Deferred tax liabilities/assets

	30.6.2016	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000
As at 1 July/date of incorporation	1,458	(4,019)	–
Recognised in profit or loss	1,412	5,477	(4,019)
As at 30 June	2,870	1,458	(4,019)

Presented after appropriate offsetting as follows:

Deferred tax assets	–	(1,606)	(6,083)
Deferred tax liabilities	2,870	3,064	2,064
	2,870	1,458	(4,019)

The components and movements of deferred tax liabilities/assets during the financial years are as follow:

	Accelerated capital allowances	Unabsorbed business losses and capital allowances	Deferred expenditure	Total
	RM'000	RM'000	RM'000	RM'000
As at 14 June 2013	–	–	–	–
Recognised in profit or loss	66	(6,083)	1,998	(4,019)
As at 30 June 2014 and 1 July 2014	66	(6,083)	1,998	(4,019)
Recognised in profit or loss	(20)	4,477	1,020	5,477
As at 30 June 2015 and 1 July 2015	46	(1,606)	3,018	1,458
Recognised in profit or loss	(25)	1,606	(169)	1,412
As at 30 June 2016	21	–	2,849	2,870

Altimate Ventures Limited and its Subsidiaries

Notes to the Combined Financial Statements
For the financial years ended 30 June 2014, 2015 and 2016

19. Share capital

The Company was incorporated in the British Virgin Islands as an exempted company with limited liability on 23 November 2016 with authorised share capital of US$96 divided into 96 share of US$1 each. Upon the completion of the Restructuring Exercise as described on Note 1, the Company became the holding company of the Group.

For the purpose of the preparation of combined statements of financial position, the share capital presented below represents the share capital movements of Capital City Property Sdn. Bhd. prior to the restructuring of the Group.

	30.6.2016		30.6.2015		30.6.2014	
	No. of shares	RM'000	No. of shares	RM'000	No. of shares	RM'000
Issued and fully paid						
As at 1 July/date of incorporation	5,000,000	5,000	4,100,004	4,100	4	#
Issued during the year	–	–	899,996	900	4,100,000	4,100
As at 30 June	5,000,000	5,000	5,000,000	5,000	4,100,004	4,100

Amount less than RM 1,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Group. All ordinary shares with no par value carry one vote per share without restriction.

20. Earnings per share attributable to ordinary equity holders of the parent

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Restructuring Exercise and the presentation of the results of the Group for the financial years ended 30 June 2014, 2015 and 2016 as disclosed in Note 2 above.

21. Commitments

Operating lease arrangements – as lessee

The Group has entered into non-cancellable operating lease agreement for the use of premises.

Future minimum rental payable under non-cancellable operating lease at the reporting date are as follow:

	30.6.2016	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000
Not later than one year	213	215	164
Later than one year but not later than five years	23	45	34
	236	260	198

22. Related party transactions

Purchase of services

In addition to the transactions detailed elsewhere in the combined financial statements, the Group had the following transactions with the related parties during the financial years:

	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	14.6.2013 to 30.6.2014
	RM'000	RM'000	RM'000
With directors' related companies in which certain directors have interest:			
Hatten Properties Sdn. Bhd.			
Services fee	–	–	7,046
Sales commission	–	837	3,316
Sales of property, plant and equipment	–	140	–
Hatten International Pte. Ltd.			
Rental of office space/area	–	168	373
Promotion activities	–	45	101
RDC Arkitek Sdn. Bhd.			
Consultancy fee	1,573	289	1,764

23. Fair value of financial instruments

(a) ***Fair value hierarchy***

The Group categories fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) ***Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current and non-current)	13
Hire purchase payables (current and non-current)	15
Trade and other payables (current and non-current)	16

The carrying amounts of current financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair values of non-current loans and 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.

23. Fair value of financial instruments (cont'd)

(c) ***Assets and liabilities not carried at fair value but for which fair value is disclosed***

The following table shows an analysis of the Group's assets not measured at fair value but for which fair value is disclosed:

	Fair value measurements at the end of the reporting period using	
	Significant unobservable inputs (Level 3)	Carrying amount
	RM'000	RM'000
2016		
Non-financial assets:		
Investment property under construction	124,946	124,946
2015		
Non-financial assets:		
Investment property under construction	–*	78,399
2014		
Non-financial assets:		
Investment property under construction	–*	55,938

The fair value is determined based on valuation conducted by an accredited independent valuer. The valuations were performed by using the comparison method of valuation adjusted for estimated construction cost to be incurred.

* The fair value of investment properties under construction as of 30 June 2014 and 2015 cannot be reliably estimated as the percentage of completion as of respective financial years end was negligible.

Investment properties

The fair value of investment properties are based on comparable market transactions that consider sales of similar properties that have been transacted in the open market and adjusted for the estimated construction cost to be incurred.

There were no material transfer between Level 1, Level 2 and Level 3 during the financial years.

24. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management. The Group do not undertake any trading of derivative financial instruments.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For cash and bank balances, the Group minimise credit risk by dealing exclusively with reputable financial institutions.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position.

(b) *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with several banks.

24. Financial risk management objectives and policies (cont'd)

(b) ***Liquidity risk (cont'd)***

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Less than 1 year	2 to 5 years	Total
	RM'000	RM'000	RM'000
2016			
Financial assets			
Trade and other receivables	17,374	–	17,374
Cash and cash equivalents	14,081	–	14,081
Total undiscounted financial assets	31,455	–	31,455
Financial liabilities:			
Trade and other payables	106,054	184,200	290,254
Hire purchase payables	53	86	139
Total undiscounted financial liabilities	106,107	184,286	290,393
Total net undiscounted financial liabilities	(74,652)	(184,286)	(258,938)
2015			
Financial assets			
Trade and other receivables	27,966	2,700	30,666
Cash and cash equivalents	30,725	–	30,725
Total undiscounted financial assets	58,691	2,700	61,391
Financial liabilities:			
Trade and other payables	64,470	252,132	316,602
Hire purchase payables	46	136	182
Total undiscounted financial liabilities	64,516	252,268	316,784
Total net undiscounted financial liabilities	(5,825)	(249,568)	(255,393)

24. Financial risk management objectives and policies (cont'd)

(b) ***Liquidity risk (cont'd)***

Analysis of financial instruments by remaining contractual maturities (cont'd)

	Less than 1 year	2 to 5 years	Total
	RM'000	RM'000	RM'000
2014			
Financial assets			
Trade and other receivables	8,283	–	8,283
Cash and cash equivalents	41,217	–	41,217
Total undiscounted financial assets	49,500	–	49,500
Financial liabilities:			
Trade and other payables	53,787	290,905	344,692
Hire purchase payables	87	317	404
Total undiscounted financial liabilities	53,874	291,222	345,096
Total net undiscounted financial liabilities	(4,374)	(291,222)	(295,596)

(c) ***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's primary interest rate risk relates to interest-bearing hire purchase payables.

The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

The Group manages its interest rate exposure by using a mix of fixed and floating rate debts and actively reviewing its debt portfolio, taking into account the investment holding period and nature of its assets.

The Group does not expect any material effect on the Group's profit net of tax and equity arising from the effect of reasonably possible changes to interest rates on interest-bearing financial instruments at the end of the reporting period.

24. Financial risk management objectives and policies (cont'd)

(d) ***Foreign currency risk***

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to transactional currency risk primarily through operating expenses and sales collection that are denominated in a currency other than the respective functional currencies of the Group entities. The currency giving rise to this risk is primarily Singapore Dollar (SGD). Foreign exchange exposures in transactional currencies other than functional currencies of the Group entities is kept to an acceptable level.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit/(loss) net of tax to a reasonably possible change in the SGD exchange rates against RM with all other variable held constant.

	Increase/(decrease) in profit/(loss) net of tax		
	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	14.6.2013 to 30.6.2014
	RM'000	RM'000	RM'000
SGD/RM			
– strengthened 3%	–	–	280
– weakened 3%	–	–	(159)

25. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 30 June 2014, 2015 and 2016.

25. Capital management (cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, hire purchase payables, trade and other payables, less cash and bank balances. Capital refers to equity attributable to the equity holders of the Group.

	30.6.2016	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000
Hire purchase payables	131	182	363
Trade and other payables	255,995	259,769	267,700
Less: Cash and bank balances	(14,081)	(30,725)	(41,217)
Net debt	242,045	229,226	226,846
Equity attributable to the owners of the Company	45,709	2,797	(9,593)
Capital and net debt	287,754	232,023	217,253
Gearing ratio	0.84	0.99	1.04

26. Subsequent events

First Star Ventures Limited ("FSVL") and Rise Expedition Global Limited ("REGL") were incorporated on 8 December 2016 and 9 September 2016, to hold Capital City Frontier Sdn. Bhd. ("CCF") and Capital City Ventures Sdn. Bhd. ("CCV"), respectively. CCF was incorporated in Malaysia on 2 December 2016 and had entered into a joint venture agreement with 2 parties to develop land parcels in Perak on a joint venture basis on 7 December 2016. CCV was incorporated in Malaysia on 27 September 2016 and had entered into a joint venture agreement with a party to develop a plot of land in Johor, Malaysia.

Other than the separate joint venture agreements signed by FSVL's and REGL's respective subsidiaries, the companies were dormant since the date of incorporation.

27. Authorisation for issue of the combined financial statements

The combined financial statements for the years ended 30 June 2014, 2015 and 2016 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 29 March 2017.

APPENDIX C: UNAUDITED INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS OF ALTIMATE VENTURES LIMITED AND ITS SUBSIDIARIES FOR THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

Altimate Ventures Limited and its Subsidiaries

Independent Auditor's Report on Review of Interim Condensed Combined Financial Statements for the three-month period ended 30 September 2016

Introduction

We have reviewed the accompanying unaudited interim condensed combined financial statements of Altimate Ventures Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the condensed combined statement of financial position as at 30 September 2016, and the related condensed combined statement of comprehensive income, changes in equity and cash flows of the Group for the period from 1 July 2016 to 30 September 2016, and selected explanatory notes, as set out on pages C-3 to C-24.

Management is responsible for the preparation and fair presentation of these interim condensed combined financial statements in accordance with International Financial Reporting Standards 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed combined financial statements based on our review.

Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity".* A review of interim condensed combined financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed combined financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other matters

Other than the Group's condensed combined statement of financial position as of 30 June 2016 which has been audited, the comparative figures have not been audited nor reviewed. The Interim condensed combined financial information for the corresponding three-month period ended 30 September 2015 is the responsibility of the management.

APPENDIX C: UNAUDITED INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS OF ALTIMATE VENTURES LIMITED AND ITS SUBSIDIARIES FOR THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

Altimate Ventures Limited and its Subsidiaries

Independent Auditor's Report on Review of Interim Condensed Combined Financial Statements for the three-month period ended 30 September 2016

Restriction on Distribution and use

This report is made solely to you as a body and for the inclusion in the circular to shareholders of Terratech Group Limited to be issued in connection with the proposed acquisition of the entire issued and paid up share capital of the Company and for no other purpose.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

Partner in charge: Ng Boon Heng

Altimate Ventures Limited and its Subsidiaries

Condensed Combined Statement of Comprehensive Income
For the financial period ended 30 September 2016

	Note	Unaudited For the three-month period ended 30 September 2016	2015
		RM'000	RM'000
Revenue	6	27,680	14,866
Cost of sales		(4,959)	(3,418)
Gross profit		22,721	11,448
Other income		192	151
Selling and distribution expenses		(2,135)	(1,531)
General and administrative expenses		(1,255)	(744)
Finance costs		(2)	(2)
Profit before tax	7	19,521	9,322
Income tax expense	8	(4,813)	(2,350)
Profit after tax		14,708	6,972
Other comprehensive income: **Items that are or may be reclassified subsequently to profit or loss:**			
Exchange differences arising from translation of foreign operations		1	–
Other comprehensive income for the period, net of tax		1	–
Total comprehensive income for the period		14,709	6,972
Earnings per share attributable to ordinary equity holders of the parent			
– Basis and diluted	17	N/A	N/A

The accompanying accounting policies and explanatory notes form an integral part of the interim condensed combined financial statements.

Altimate Ventures Limited and its Subsidiaries

Condensed Combined Statements of Financial Position
As at 30 September 2016

	Note	Unaudited 30.9.2016	Audited 30.6.2016
		RM'000	RM'000
Non-current assets			
Property, plant and equipment	9	74,155	65,272
Inventory properties	10	89,590	83,645
Investment property under construction	11	127,560	124,946
Deferred expenditure	12	1,738	2,540
		293,043	276,403
Current assets			
Inventory properties	10	162,073	148,805
Deferred expenditure	12	9,848	9,331
Trade and other receivables	13	17,766	17,374
Prepayments		804	810
Fixed deposits	14	12,799	12,698
Cash and bank balances	14	6,334	1,383
		209,624	190,401
Total assets		502,667	466,804
Current liabilities			
Hire purchase payables		49	48
Trade and other payables	15	155,920	106,054
Deferred revenue		156,231	157,744
Provision for taxation		6,727	4,355
		318,927	268,201
Net current liabilities		(109,303)	(77,800)
Non-current liabilities			
Hire purchase payables		71	83
Trade payables	15	120,440	149,941
Deferred tax liabilities		2,811	2,870
		123,322	152,894
Total liabilities		442,249	421,095
Net assets		60,418	45,709
Equity			
Share capital	16	5,000	5,000
Reserves		55,418	40,709
Total equity		60,418	45,709

The accompanying accounting policies and explanatory notes form an integral part of the interim condensed combined financial statements.

Altimate Ventures Limited and its Subsidiaries

Condensed Combined Statements of Changes in Equity
For the financial period ended 30 September 2016

	Note	Share capital*	Retained earnings/ (accumulated losses)*	Foreign currency translation reserve*	Total
		RM'000	RM'000	RM'000	RM'000
As at 30 June 2015 and 1 July 2015 (Audited)		5,000	(2,203)	–	2,797
Total comprehensive income for the period		–	6,972	–	6,972
As at 30 September 2015 (Unaudited)		5,000	4,769	–	9,769
As at 30 June 2016 and 1 July 2016 (Audited)		5,000	40,709	–	45,709
Total comprehensive income for the period		–	14,708	1	14,709
As at 30 September 2016 (Unaudited)		5,000	55,417	1	60,418

* These reserves accounts comprise the combined reserves in the combined statements of financial position as at 30 September 2015 and 2016.

The accompanying accounting policies and explanatory notes form an integral part of the interim condensed combined financial statements.

Altimate Ventures Limited and its Subsidiaries

Combined Statements of Cash Flow
For the financial years ended 30 June 2014, 2015 and 2016

	Note	Unaudited For the three-month period ended 30 September 2016	2015
		RM'000	RM'000
Cash flows from operating activities			
Profit before tax		19,521	9,322
Adjustments for:			
Depreciation of property, plant and equipment		63	62
Deferred expenditure amortised		909	491
Interest income		(118)	(111)
Interest expense		2	2
Operating cash flows before changes in working capital		20,377	9,766
Changes in working capital:			
Inventory properties		(16,123)	(5,948)
Deferred expenditure		(624)	(555)
Trade and other receivables		(394)	(6,329)
Trade and other payables		13,922	9,209
		17,158	6,143
Interest paid		(2)	(2)
Interest received		118	111
Tax paid		(2,500)	(1,100)
Net cash flows generated from operating activities		14,774	5,152
Cash flows from investing activities			
Purchase of property, plant and equipment	9(b)	(8,183)	(916)
Expenditure on investment property under construction		(1,527)	(18,205)
Net cash flows used in investing activities		(9,710)	(19,121)
Cash flows from financing activities			
Repayment of hire purchase payables		(12)	(11)
Withdrawal of secured deposit		88	–
Net cash flows generated from/(used in) financing activities		76	(11)
Net increase/(decrease) in cash and cash equivalents		5,140	(13,980)
Cash and cash equivalents at 1 July		13,962	30,725
Cash and cash equivalents at 30 September	14	19,102	16,745

The accompanying accounting policies and explanatory notes form an integral part of the interim condensed combined financial statements.

Altimate Ventures Limited and its Subsidiaries

Notes to the Interim Condensed Combined Financial Statements
For the financial period ended 30 September 2016

1. Corporate information

Altimate Ventures Limited (the "Company" or "AVL") was incorporated in British Virgin Islands as an exempted limited company on 23 November 2016 with an issued and paid up share capital of US$4. The registered office of the Company is at c/o Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

On 9 June 2016, Terratech Group Limited entered into a conditional sale and purchase agreement (the "SPA") with Siow Chien Fu, Tan June Teng Colin and Tan Ping Huang Edwin (the "Vendors") in relation to the proposed acquisition of the entire issued and paid-up share capital of Capital City Property Sdn. Bhd. ("CCP") for a consideration to be satisfied in full by the issuance and allotment of new ordinary shares in the capital of Terratech Group Limited ("Consideration Share") at the issue price of 7.00 cents per Consideration Share ("Issue Price") (the "Proposed AVL Acquisition").

The Parties agree that the purchase consideration for the Sale Shares payable by the Company shall be S$300,000,000 ("Consideration"), which shall be fully satisfied, on Completion (as defined below), by the issuance and allotment of 1,071,428,569 Consideration Shares, to the Vendors and/or parties as may be nominated or requested by the Vendors.

The Company and the Vendors have subsequently agreed to restructure the Proposed Acquisition such that the acquisition of CCP shall be via the acquisition of all of the issued and paid-up shares in the Company, which, in turn, will hold the entire issued and paid-up share capital of CCP. Accordingly, the Company had, on 6 January 2017 entered into an amending and restatement deed ("Deed") with the Vendors, to amend and restate the SPA in its entirety (the SPA, as amended and restated by the Deed, shall be referred to hereinafter as the "Amended AVL SPA") and two separate sale and purchase agreements to acquire all of the issued and paid-up shares of First Star Ventures Limited ("FSVL") and Rise Expedition Global Limited ("REGL"). FSVL and REGL were incorporated on 8 December 2016 and 9 September 2016, respectively. Other than the separate joint venture agreements signed by FSVL's and REGL's respective subsidiaries, the companies were dormant since the date of incorporation.

The Company and its subsidiaries (the "Target Group") is to be formed through a restructuring exercise where the Company becomes the holding company of CCP through a share swap arrangement. Pursuant to the share swap arrangement, the Company will issue and allotted 96 ordinary shares to the shareholders of CCP for an aggregate consideration of US$96 (equivalent to RM422) for the entire issued share capital of CCP. As a result, the Target Group represents the continuation of CCP.

Altimate Ventures Limited and its Subsidiaries

Notes to the Interim Condensed Combined Financial Statements
For the financial period ended 30 September 2016

1. Corporate information (cont'd)

Upon completion of the Restructuring Exercise, the Company will have direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Company name	Country of incorporation	Percentage of equity attributable to the Company		Principal activities	Note
		Direct %	Indirect %		
Capital City Property Sdn. Bhd.	Malaysia	100	–	Property development and property investment	1
Capital City Management Pte. Ltd.	Singapore	–	100	Business and management consultancy services	2

Notes:

1 The Company was incorporated on 14 June 2013 and audited by member firms of Ernst & Young, Malaysia.

2 Incorporated on 30 August 2016.

2. Basis of presentation

Pursuant to the Restructuring Exercise as more fully explained in the section headed "Group Structure – Restructuring Exercise" in the circular, the Company shall become the holding company of the Capital City Property Sdn. Bhd. now comprising the Group subsequent to the end of the year ended 30 September 2016. The companies now comprising the Group under the common control of the controlling shareholders before and after the Restructuring Exercise. Accordingly, for the purpose of this report, the interim condensed combined financial statements have been prepared by applying the principles of merger accounting as if the Restructuring Exercise had been completed on 14 June 2013.

The interim condensed combined statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the three-month period ended 30 September 2016 includes the results and cash flows of Capital City Property Sdn. Bhd. now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the controlling shareholders. The interim condensed combined statement of financial position of the Group as at 30 September 2016 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Restructuring Exercise.

Altimate Ventures Limited and its Subsidiaries

Notes to the Interim Condensed Combined Financial Statements
For the financial period ended 30 September 2016

3. Summary of significant accounting policies

3.1 *Basis of preparation*

The interim condensed combined financial statements of the Group for the three-month period ended 30 September 2016 have been prepared in accordance with International Financial Reporting Standards 34 *Interim Financial Reporting* ("IAS 34").

The interim condensed combined financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2016.

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 Malaysian Ringgit (RM) and all values in the tables are rounded to the nearest thousand (RM'000), except when otherwise indicated.

3.2 *Changes in accounting policies*

The accounting policies adopted in the preparation of the interim condensed combined financial statements are consistent with the Group's audited financial statements for the year ended 30 June 2016.

3.3 *Operating segment*

For management purpose, management monitors the operating results of the Group's business unit based on property development as a whole for the purpose of making decisions about resource allocation and performance assessment. No operating segment information is presented in accordance with IFRS 8 *Operating Segments.*

4. Significant accounting judgements and estimates

The critical judgements and key sources of estimation uncertainty made by the management remain unchanged from the last audited financial year ended 30 June 2016.

5. Operations in the interim period

The Group's business is generally not subjected to significant seasonal fluctuations.

6. Revenue

Revenue represents income recognised from the sale of development property, recognised on a percentage-of-completion basis.

Altimate Ventures Limited and its Subsidiaries

Notes to the Interim Condensed Combined Financial Statements
For the financial period ended 30 September 2016

7. Profit before tax

The following items have been included in arriving at profit before tax:

	Unaudited For the three-month period ended 30 September	
	2016	2015
	RM'000	RM'000
Depreciation of property, plant and equipment	63	62
Interest expense	2	2
Employee benefits expense:		
Salaries and bonuses	294	316
Social security contributions	4	3
Contributions to defined contribution plan	37	40
Others	19	18
Rental of office premise	45	45
Rental of office equipment	3	14
Realised foreign exchange gain	(5)	(85)

Included in employee benefits expense of the Group are directors' remuneration amounting to RM 90,000 and RM 90,000 for the financial period ended 30 September 2015 and 2016, respectively.

8. Income tax expense

	Unaudited For the three-month period ended 30 September	
	2016	2015
	RM'000	RM'000
Current year		
Current tax	4,720	2,350
Deferred tax	93	–
Income tax expense	4,813	2,350

8. Income tax expense (cont'd)

The income tax expense is attributable to Capital City Property Sdn. Bhd.. The domestic income tax is calculated at the Malaysia statutory tax rate of 24% for the financial period ended 30 September 2016.

The reconciliation between the income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the period ended 30 September 2016 are as follows:

	Unaudited For the three-month period ended 30 September	
	2016	**2015**
	RM'000	**RM'000**
Profit before tax	19,521	9,322
Tax rate	24%	24%
Taxation at statutory tax rate	4,685	2,237
Adjustments:		
Non-deductible expenses	128	113
	4,813	2,350

Altimate Ventures Limited and its Subsidiaries

Notes to the Interim Condensed Combined Financial Statements
For the financial period ended 30 September 2016

9. Property, plant and equipment

Group	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Renovation	Freehold land	Building-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost:								
At 1.7.2015 (Audited)	279	94	318	109	243	37,583	7,700	46,326
Additions	8	14	–	1	–	–	19,447	19,470
At 30.6.2016 and 1.7.2016 (Audited)	287	108	318	110	243	37,583	27,147	65,796
Additions	2	–	–	6	–	–	8,938	8,946
At 30.9.2016 (Unaudited)	289	108	318	116	243	37,583	36,085	74,742
Accumulated depreciation								
At 1.7.2015 (Audited)	112	23	72	24	43	–	–	274
Charge for the year	95	21	63	22	49	–	–	250
At 30.6.2016 and 1.7.2016 (Audited)	207	44	135	46	92	–	–	524
Charge for the period	24	5	16	6	12	–	–	63
At 30.9.2016 (Unaudited)	231	49	151	52	104	–	–	587
Net carrying amount:								
At 30.6.2016 (Audited)	80	64	183	64	151	37,583	27,147	65,272
At 30.9.2016 (Unaudited)	58	59	167	64	139	37,583	36,085	74,155

9. Property, plant and equipment (cont'd)

(a) The carrying amount of property, plant and equipment of the Group held under hire purchase as at 30 September 2016 was RM 128,000 (30 June 2016: RM 141,000).

(b) The additions in property, plant and equipment are by means of:

	Unaudited 30.9.2016	Audited 30.6.2016
	RM'000	RM'000
Cash invested in property, plant and equipment	8,183	16,618
Interest capitalised (including unwinding interest for the consideration payable to land owner)	763	2,852
	8,946	19,470

(c) On 26 December 2013, Capital City Property Sdn. Bhd. entered into a Joint Venture Agreement ("JVA") with Achwell Property Sdn Bhd ("APSB") to develop and construct an integrated project with retail, hotel, suites and residential facilities on a piece of land which APSB is the registered and beneficial owner, herein referred to as JV land.

The fair value consideration payable for the JV land which the building-in-progress is erected on is determined based on the present value of the deferred payment to APSB.

The titles of the JV land have yet to be transferred to the Group and will only be transferred when the purchase consideration of the land has been fully paid by Capital City Property Sdn. Bhd..

The acquisition cost of the JV land has been recognised in property, plant and equipment, investment property and inventory properties according to the intent of use and net floor area of the property sold.

Altimate Ventures Limited and its Subsidiaries

Notes to the Interim Condensed Combined Financial Statements
For the financial period ended 30 September 2016

10. Inventory properties

Non-current	Unaudited 30.9.2016	Audited 30.6.2016
	RM'000	RM'000
As at 1 July		
Development costs incurred (including consideration payable to land owner)	83,645	120,484
Additions:		
Development costs incurred (including consideration payable to land owner)	5,945	13,679
Transfer to current:		
Development costs incurred (including consideration payable to land owner)	–	(50,518)
As at 30 September/30 June	89,590	83,645
Current		
As at 1 July	148,805	70,916
Development costs incurred (including consideration payable to land owner)	15,762	37,564
Interest capitalised	1,953	7,303
Transfer from non-current inventory properties	–	50,518
Costs recognised in profit and loss	(4,447)	(17,496)
As at 30 September/30 June	162,073	148,805

On 26 December 2013, Capital City Property Sdn. Bhd. entered into a Joint Venture Agreement ("JVA") with Achwell Property Sdn Bhd ("APSB") to develop and construct an integrated project with retail, hotel, suites and residential facilities on a piece of land which APSB is the registered and beneficial owner, herein referred to as JV land.

The fair value consideration payable for the JV land which the inventory properties is erected on is determined based on the present value of the deferred payment to APSB.

The titles of the JV land have yet to be transferred to the Group and will be transferred to when the purchase consideration of the land has been fully paid by Capital City Property Sdn. Bhd..

The acquisition cost of the JV land has been recognised in property, plant and equipment, investment property and inventory properties according to the intent of use and net floor area of the property sold.

11. Investment property under construction

	Unaudited 30.9.2016	Audited 30.6.2016
	RM'000	RM'000
As at 1 July	124,946	78,399
Development cost incurred (including consideration payable to land owner)	1,527	42,485
Interest capitalised	1,087	4,062
As at 30 September/30 June	127,560	124,946

On 26 December 2013, Capital City Property Sdn. Bhd. entered into a Joint Venture Agreement ("JVA") with Achwell Property Sdn Bhd ("APSB") to develop and construct an integrated project with retail, hotel, suites and residential facilities on a piece of land which APSB is the registered and beneficial owner, herein referred to as JV land.

The fair value consideration payable for the JV land which the investment property is erected on is determined based on the present value of the deferred payment to APSB.

The titles of the JV land have yet to be transferred to the Group and will be transferred to when the purchase consideration of the land has been fully paid by Capital City Property Sdn. Bhd..

The acquisition cost of the JV land has been recognised in property, plant and equipment, investment property and inventory properties according to the intent of use and net floor area of the property sold.

The interest capitalised consists of unwinding interest for the consideration payable for allocated land cost capitalised in investment property under construction.

12. Deferred expenditure

	Unaudited 30.9.2016	Audited 30.6.2016
	RM'000	RM'000
As at 1 July	11,871	12,020
Add: Incurred during the financial period/year	624	3,510
	12,495	15,530
Less: Costs recognised in profit or loss	(909)	(3,659)
As at 30 September/30 June	11,586	11,871
Current	9,848	9,331
Non-current	1,738	2,540
Total deferred expenditure	11,586	11,871

Deferred expenditure relating to sales agent commission and legal costs incurred to secure sales of property units are recognised in the profit or loss in proportion to the income recognised for the respective financial year/period.

13. Trade and other receivables

	Unaudited 30.9.2016	Audited 30.6.2016
	RM'000	RM'000
Trade receivables – third parties	12,796	12,218
Other receivables		
Sundry receivables	4,598	4,927
Deposits	213	210
Amount due from director-related companies	159	19
Total trade and other receivables	17,766	17,374
Add: Cash and bank balances (Note 14)	19,133	14,081
Total loans and receivables	36,899	31,455

13. Trade and other receivables (cont'd)

Trade receivables

Trade receivables are non-interest bearing and are generally on 14 days' credit term. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The Group seeks to maintain strict control over its outstanding receivables. The Group's trade receivables relate to a large number of diversified customers and there is no concentration of credit risk. Trade receivables are non-interest bearing.

Other receivables

Other receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair value on initial recognition. The normal credit term range between 30 and 60 days and other credit terms are assessed and approved on a case-by-case basis.

Amount due from director-related companies

Amount due from director-related companies are unsecured, interest-free and repayable on demand.

Amount due from subcontractor

These are unsecured, interest-free and not expected to be collected within the next twelve months.

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are progress invoices billed to customers based on stage of building completion pending loan releases from financiers. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year/period.

13. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to approximately RM 12,796,000 (30 June 2016: RM 9,610,000) for the financial period ended 30 September 2016, that are past due at the end of the reporting period but not impaired. However, the directors are of the opinion that these receivables should be collected in full without material losses in the ordinary course of business. The trade receivables that are past due but not impaired are unsecured in nature.

These receivables are unsecured and the analysis of their aging at the end of reporting period is as follows:

	Unaudited 30.9.2016	Audited 30.6.2016
	RM'000	**RM'000**
Trade receivables past due but not impaired:		
Less than 30 days	1,649	2,196
30 – 60 days	1,585	94
60 – 90 days	165	682
More than 90 days	9,397	6,638
	12,796	9,610

Receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience, the directors of the Group are of the opinion that no further provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the carrying amounts of these balances are still considered fully recoverable.

14. Cash and bank balances and fixed deposits

	Unaudited 30.9.2016	Audited 30.6.2016
	RM'000	RM'000
Fixed deposits	12,799	12,698
Cash on hand and at banks	6,334	1,383
Total cash and bank balances	19,133	14,081
Less: Deposit not available for use	(31)	(119)
Cash and cash equivalents	19,102	13,962

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of up to 30 days depending on the immediate cash requirements of the Group. The weighted average interest rates for the balance of deposit with banks is 3.35% and 3.35% for the financial period ended 30 June 2016 and 30 September 2016, respectively. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Included in deposit with licensed bank of the Group are RM 119,000 and RM 30,800 for the financial period ended 30 June 2016 and 30 September 2016, respectively which are pledged as security for bank guarantees granted for the Group.

15. Trade and other payables

	Unaudited 30.9.2016	Audited 30.6.2016
Current	RM'000	RM'000
Trade payables		
Third parties	132,314	85,989
Other payables		
Sundry payables	11,181	10,224
Accruals	12,425	9,841
Total current trade and other payables	155,920	106,054
Non-current		
Trade payables	120,440	149,941
Total trade and other payables	276,360	255,995
Add: Hire purchase payables	120	131
Total financial liabilities carried at amortised cost	276,480	256,126

15. Trade and other payables (cont'd)

Trade payables (current)

The normal trade credit term granted to the Group are up to 60 days for the financial period ended 30 September 2016.

Other payables

Other payables are mainly unsecured, interest free and repayable on demand.

Trade payables (non-current)

The fair value consideration payable for the land owner which is determined based on the present value of the deferred payment at 7.1% for the financial period ended 30 September 2016.

16. Share capital

The Company was incorporated in the British Virgin Islands as an exempted company with limited liability on 23 November 2016 with authorised share capital of US$96 divided into 96 share of US$1 each. Upon the completion of the Restructuring Exercise as described on Note 1, the Company became the holding company of the Group.

For the purpose of the preparation of combined statements of financial position, the share capital presented below represents the share capital movements of Capital City Property Sdn. Bhd. prior to the restructuring of the Group.

	Unaudited 30.9.2016		Audited 30.6.2016	
	No. of shares	RM'000	No. of shares	RM'000
Issued and fully paid				
As at 1 July/30 September/ 30 June	5,000,000	5,000	5,000,000	5,000

\# Amount less than RM 1,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Group. All ordinary shares with no par value carry one vote per share without restriction.

17. Earnings per share attributable to ordinary equity holders of the parent

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Restructuring Exercise and the presentation of the results of the Group for the financial period ended 30 September 2016 as disclosed in Note 2 above.

18. Related party transactions

Purchase of services

In addition to the transactions detailed elsewhere in the combined financial statements, the Group had the following transactions with the related parties during the financial years:

	Unaudited For the three-month period ended 30 September	
	2016	2015
	RM'000	RM'000
With directors' related companies in which certain directors have interest:		
RDC Arkitek Sdn. Bhd.		
Consultancy fee	363	484

19. Fair value of financial instruments

(a) ***Fair value hierarchy***

The Group categories fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

19. Fair value of financial instruments (cont'd)

(b) ***Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

Trade and other receivables (current) (Note 13), Hire purchase payables (current and non-current), and Trade and other payables (current and non-current) (Note 15).

The carrying amounts of current financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair values of non-current loans and 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.

(c) ***Assets and liabilities not carried at fair value but for which fair value is disclosed***

The Group's investment property under construction carrying amount is RM 124,946,000 and RM 127,560,000 as at 30 June 2016 and 30 September 2016, respectively. The fair value of the investment property under construction was RM 124,946,000 as at 30 June 2016. The fair value is determined based on valuation conducted by an accredited independent valuer. The valuations were performed by using the comparison method of valuation adjusted for estimated construction cost to be incurred for which there are significant unobservable inputs (level 3). The Group does not develop quantitative unobservable inputs used in the determination of the fair value.

Investment properties

The fair value of investment properties are based on comparable market transactions that consider sales of similar properties that have been transacted in the open market and adjusted for the estimated construction cost to be incurred.

There were no material transfer between Level 1, Level 2 and Level 3 during the financial years.

20. Financial risk management objectives and policies

There have been no changes in the financial risk management policies of the Group and the Group's overall capital risk management remains unchanged and has been disclosed in the audited combined financial statements for the years ended 30 June 2014, 2015 and 2016.

21. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the period ended 30 September 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, hire purchase payables, trade and other payables, less cash and bank balances. Capital refers to equity attributable to the equity holders of the Group.

	Unaudited 30.9.2016	Audited 30.6.2016
	RM'000	RM'000
Hire purchase payables	120	131
Trade and other payables	276,360	255,995
Less: Cash and bank balances	(19,133)	(14,081)
Net debt	257,347	242,045
Equity attributable to the owners of the Company	60,418	45,709
Capital and net debt	317,765	287,754
Gearing ratio	0.81	0.84

22. Significant events

First Star Ventures Limited ("FSVL") and Rise Expedition Global Limited ("REGL") were incorporated on 8 December 2016 and 9 September 2016, to hold Capital City Frontier Sdn. Bhd. ("CCF") and Capital City Ventures Sdn. Bhd. ("CCV"), respectively. CCF was incorporated in Malaysia on 2 December 2016 and had entered into a joint venture agreement with 2 parties to develop land parcels in Perak on a joint venture basis on 7 December 2016. CCV was incorporated in Malaysia on 27 September 2016 and had entered into a joint venture agreement with a party to develop a plot of land in Johor, Malaysia.

Other than the separate joint venture agreements signed by FSVL's and REGL's respective subsidiaries, the companies were dormant since the date of incorporation.

23. Authorisation for issue of the combined financial statements

The interim condensed combined financial statements for the three-month period ended 30 September 2016 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 29 March 2017.

APPENDIX D: REPORT ON UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEARS ENDED 30 JUNE 2014, 2015 AND 2016 AND THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

29 March 2017

The Board of Directors
Terratech Group Limited
2 Kaki Bukit Place #07-00
Tritech Building
Singapore 416180

Report on the compilation of unaudited pro forma combined financial information of Terratech Group Limited and its subsidiaries for the years ended 30 June 2014, 2015 and 2016 and three-month period ended 30 September 2016 included in the circular to shareholders of Terratech Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Terratech Group Limited ("Terratech" or the "Company") and its subsidiaries ("Terratech Group") and the Target Group (collectively, the "Enlarged Group") in connection with the Company's proposed acquisition of the entire issued and paid-up share capital of Altimate Ventures Limited ("AVL") which holds Capital City Property Sdn. Bhd. ("Proposed Acquisition").

The unaudited pro forma combined financial information consists of the unaudited pro forma combined statements of financial position as at 30 June 2014, 2015 and 2016 and as at 30 September 2016, the unaudited pro forma combined statements of comprehensive income for the years ended 30 June 2014, 2015 and 2016 and three-month period ended 30 September 2016, the unaudited pro forma combined statements of cash flow for the years ended 30 June 2014, 2015 and 2016 and three-month period ended 30 September 2016, and related notes as set out on pages D-4 to D-28 of the Circular issued by the Company. The applicable criteria on the basis of which Directors of the Company have compiled the unaudited pro forma combined financial information are described in Note 5 of the unaudited pro forma combined financial information.

The unaudited pro forma combined financial information has been compiled by the Directors of the Company to illustrate the impact of the Proposed Acquisition based on the Criteria described in Note 5 to the unaudited pro forma financial information to show what:

(a) The unaudited pro forma combined statements of comprehensive income and unaudited pro forma combined statements of cash flows of the Enlarged Group for the years ended 30 June 2014, 2015 and 2016 and three-month period ended 30 September 2016 would have been if the Proposed Acquisition occurred on 1 July 2013; and

(b) The unaudited pro forma combined statements of financial position of the Enlarged Group as at 30 June 2014, 2015 and 2016 and as at 30 September 2016 would have been if the Proposed Acquisition occurred on 1 July for each of the respective years and period reported.

The dates on which the Proposed Acquisition described above are assumed to have been undertaken, are herein collectively referred to as the ("Relevant Dates").

As part of this process, information about the unaudited pro forma financial information in respect of Terratech Group and Altimate Ventures Limited has been extracted by Directors of the Company from the following:

(a) Audited consolidated financial statements of Terratech Group for the years ended 31 March 2014, 2015 and 2016, on which an audit report has been issued;

(b) Audited combined financial statements of Altimate Ventures Limited and its subsidiaries for the years ended 30 June 2014, 2015 and 2016, on which an audit report has been issued;

(c) Unaudited consolidated financial statements of Terratech Group for the three-months ended 30 June 2014, 2015 and 2016 and 30 September 2016; and

(d) Unaudited combined financial statements of Altimate Ventures Limited for the three-month period ended 30 September 2016.

Directors' responsibility for the Unaudited Pro forma Combined Financial Information

The Directors of the Company are responsible for compiling the unaudited pro forma combined financial Information on the basis of the applicable criteria described in Note 5 of the unaudited pro forma combined financial information.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Reporting Auditor's responsibilities

Our responsibility is to express an opinion about whether the unaudited pro forma combined financial information has been compiled, in all material respects, by the Directors of the Company on the basis as described in Note 5 of the unaudited pro forma combined financial information.

We conducted our engagement in accordance with Singapore Standard on Assurance Engagements (SSAE) 3420, Assurance Engagements to *Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Institute of Singapore Chartered Accountants. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether Directors of the Company have compiled, in all material respects, the unaudited pro forma combined financial information on the basis as described in Note 5 of the unaudited pro forma combined financial information.

For purposes of this engagement, we are not responsible for updating or reissuing and hence have not updated or reissued any reports or opinions on any historical financial information used in compiling the unaudited pro forma combined financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma combined financial information.

The purpose of unaudited pro forma combined financial information included in the Circular to the shareholders is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at each of the Relevant Dates would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma combined financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by Directors of the Company in the compilation of the unaudited pro forma combined financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma combined financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the Reporting Auditor's judgement, having regard to the Reporting Auditor's understanding of the nature of the event or transaction in respect of which the unaudited pro forma combined financial information has been compiled and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma combined financial information of the Enlarged Group.

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

Opinion

In our opinion:

The unaudited pro forma combined financial information has been compiled:

(i) in a manner consistent with the accounting policies adopted by the Enlarged Group, which are in accordance with the Singapore Financial Reporting Standards; and

(ii) on the basis of the applicable criteria stated in Note 5 to the unaudited pro forma combined financial information is appropriate.

In our opinion, each material adjustment made to the information used in the preparation of the unaudited pro forma combined financial information is appropriate for the purpose of preparing such unaudited financial information.

This report has been prepared for inclusion in the Circular of Terratech Group Limited to be issued in connection with the Proposed Acquisition and should not be used for any other purpose.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

Partner in charge: Ng Boon Heng

TERRATECH GROUP AND ITS SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 30 JUNE 2014, 2015 AND 2016 AND THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

	Years ended 30 June			Three-month period ended 30 September	
	2016	2015	2014	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	114,565	55,430	2,372	33,909	22,652
Cost of sales	(50,783)	(27,172)	(2,539)	(10,433)	(11,035)
Gross profit/(loss)	63,782	28,258	(167)	23,476	11,617
Other income	7,196	1,309	270	225	1,225
Selling and distribution expenses	(4,736)	(7,972)	(16,661)	(2,222)	(1,633)
General and administrative expenses	(15,782)	(22,899)	(13,458)	(3,660)	(3,564)
Other expenses, net	(809)	(11,287)	(15,333)	–	–
Finance costs	(46)	(1,086)	(6,445)	(5)	(19)
Profit/(loss) before tax	49,605	(13,677)	(51,794)	17,814	7,626
Income tax (expense)/credit	(15,441)	(5,584)	3,965	(4,813)	(2,350)
Profit/(loss) after tax	34,164	(19,261)	(47,829)	13,001	5,276
Other comprehensive income: Items that are or may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operations	(2,260)	1,956	312	(252)	(1,187)
Other comprehensive (loss)/income for the year, net of tax	(2,260)	1,956	312	(252)	(1,187)
Total comprehensive income/(loss) for the year	31,904	(17,305)	(47,517)	12,749	4,089
Profit/(loss) attributable to:					
Owners of the Company	34,387	(19,150)	(47,829)	13,004	5,122
Non-controlling interests	(223)	(111)	–	(3)	154
	34,164	(19,261)	(47,829)	13,001	5,276
Total comprehensive income/(loss) attributable to:					
Owners of the Company	32,142	(17,189)	(47,517)	12,749	3,926
Non-controlling interests	(238)	(116)	–	–	163
	31,904	(17,305)	(47,517)	12,749	4,089

TERRATECH GROUP AND ITS SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2014, 2015 AND 2016 AND 30 SEPTEMBER 2016

	30 September 2016	30 June 2016	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	90,150	81,342	61,231	53,287
Intangible assets	2,042	2,035	1,987	1,885
Goodwill	45,347	33,498	56,193	10,599
Inventory properties	89,590	83,645	120,484	99,673
Investment property under construction	127,560	124,946	78,399	55,938
Deferred expenditure	1,738	2,540	9,362	5,646
Prepayments	–	–	1,023	1,209
Deferred tax assets	–	–	–	4,019
Other receivables	–	–	2,700	–
	356,427	328,006	331,379	232,256
Current assets				
Inventory properties	162,073	148,805	70,916	61,709
Inventories	11,723	11,399	9,856	8,289
Deferred expenditure	9,848	9,331	2,658	2,346
Trade and other receivables	33,530	30,589	32,125	9,082
Prepayments	1,504	1,781	1,718	1,737
Tax recoverable	–	–	4,293	123
Fixed deposits	12,799	12,698	12,444	255
Cash and bank balances	10,820	6,491	26,573	49,270
	242,297	221,094	160,583	132,811
Total assets	598,724	549,100	491,962	365,067
Current liabilities				
Interest-bearing bank and other borrowings	373	484	1,451	2,844
Trade and other payables	174,756	121,305	66,298	130,535
Deferred revenue	156,231	157,744	134,187	60,008
Provision for taxation	6,727	4,355	–	54
	338,087	283,888	201,936	193,441
Net current liabilities	(95,790)	(62,794)	(41,353)	(60,630)
Non-current liabilities				
Interest-bearing bank and other borrowings	71	83	545	1,102
Trade payables	120,440	149,941	195,299	213,913
Deferred tax liabilities	2,811	2,870	1,458	–
	123,322	152,894	197,302	215,015
Total liabilities	461,409	436,782	399,238	408,456
Net assets/(liabilities)	137,315	112,318	92,724	(43,389)
Equity				
Share capital	83,685	82,627	127,410	4,100
Reserves	53,436	29,500	(35,090)	(47,489)
	137,121	112,127	92,320	(43,389)
Non-controlling interests	194	191	404	–
Total equity/(deficit)	137,315	112,318	92,724	(43,389)

TERRATECH GROUP AND ITS SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 30 JUNE 2014, 2015 AND 2016 AND THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

	Years ended 30 June			Three-month period ended 30 September	
	2016	2015	2014	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit/(loss) before tax	49,605	(13,677)	(51,794)	17,814	7,626
Adjustments for:					
Depreciation of property, plant and equipment	2,218	1,932	1,735	566	545
Amortisation of intangible assets	54	29	65	12	12
Equity-settled share-based payment	–	415	–	–	–
Fair value loss of derivative financial instruments	–	6,836	14,186	–	–
Deferred expenditure amortised	3,659	2,407	55	909	491
Property, plant and equipment written off	30	–	220	–	–
Gain on disposal of property, plant and equipment	–	(27)	–	–	–
Interest income	(437)	(428)	(126)	(118)	(111)
Interest expense	43	1,086	6,445	5	19
Bad debts written back	–	–	–	–	(445)
Reversal on impairment loss of inventories, net	(767)	–	–	–	–
Write down of inventories to net realisable value	–	3,944	934	–	–
Reversal on impairment loss of other receivables	(705)	–	–	–	(410)
Provision of impairment loss of trade receivables, net	643	508	–	3	–
Operating cash flows before changes in working capital	54,343	3,025	(28,280)	19,191	7,727
Changes in working capital:					
Inventory properties	(29,501)	(19,222)	(158,794)	(16,123)	(5,948)
Inventories	90	(5,564)	(5,740)	(170)	28
Deferred expenditure	(3,509)	(6,435)	(8,047)	(624)	(555)
Trade and other receivables	35,941	45,490	51,162	(2,469)	(6,085)
Prepayments	(2,194)	2,557	(1,379)	–	–
Trade and other payables	(16,227)	(16,441)	275,581	17,294	8,434
	38,943	3,410	124,503	17,099	3,601
Interest paid	(46)	(147)	(232)	(5)	(21)
Interest received	440	434	126	118	111
Tax (paid)/refunded	(4,400)	(4,502)	44	(2,500)	(1,100)
Net cash flows generated from/ (used in) operating activities	34,937	(805)	124,441	14,712	2,591

TERRATECH GROUP AND ITS SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 30 JUNE 2014, 2015 AND 2016 AND THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

	Years ended 30 June			Three-month period ended 30 September	
	2016	2015	2014	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment	(18,904)	(6,584)	(41,044)	(8,577)	(1,537)
Proceeds from disposal of property, plant and equipment	–	167	–	–	–
Expenditure on investment property under construction	(42,485)	(18,663)	(55,028)	(1,527)	(18,205)
Acquisition of a subsidiary	–	(5,587)	–	–	–
Net cash flows used in investing activities	(61,389)	(30,667)	(96,072)	(10,104)	(19,742)
Cash flows from financing activities					
Proceeds from issuance of ordinary shares	8,290	28,946	4,100	–	–
Share issuance expense	(389)	(4,188)	–	–	–
Repayment of bank borrowings	(1,562)	(1,661)	(3,809)	(133)	(1,203)
Withdrawal of secured deposits	177	–	237	88	–
Net cash flows generated from/ (used in) financing activities	6,516	23,097	528	(45)	(1,203)
Net (decrease)/increase in cash and cash equivalents	(19,936)	(8,375)	28,897	4,563	(18,354)
Effect of foreign exchange rate changes, net	386	(2,156)	2,166	(45)	678
Cash and cash equivalents at 1 July	38,739	49,270	18,207	19,189	38,739
Cash and cash equivalents at 30 June/30 September	19,189	38,739	49,270	23,707	21,063

TERRATECH GROUP AND ITS SUBSIDIARIES

NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEARS ENDED 30 JUNE 2014, 2015 AND 2016 AND THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

These selective notes form an integral part of and should be read in conjunction with the accompanying unaudited pro forma combined financial information.

1. General

The unaudited pro forma combined financial information has been prepared for inclusion in the Circular to shareholders (the "Circular") of Terratech Group Limited ("Terratech" or the "Company") in connection with the proposed acquisition of the entire issued and paid-up share capital of Altimate Ventures Limited ("AVL") which has 100% beneficial interest in Capital City Property Sdn. Bhd. ("CCP"), First Star Ventures Limited ("FSVL") and Rise Expedition Global Limited ("REGL").

The enlarged group of companies comprising the Company and its subsidiaries (the "Terratech Group"), AVL and its subsidiaries, FSVL and its subsidiary, and REGL and its subsidiary (collectively referred to as "Target Group"), following the completion of the proposed acquisition, are collectively known as the "Enlarged Group".

2. Corporate information

Terratech Group Limited is a limited liability company incorporated and domiciled in the Cayman Islands. The Company listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 30 July 2014. The principal activity of the Company is that of investment holding.

The address of the Company's registered office is the office of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is at 2 Kaki Bukit Place, #07-00 Tritech Building, Singapore 416180.

The principal activities of its subsidiaries of the Enlarged Group are disclosed in Note 4.

3. The Proposed Acquisition

On 9 June 2016, Terratech Group Limited entered into a conditional sale and purchase agreement (the "SPA") with Siow Chien Fu, Tan June Teng Colin and Tan Ping Huang Edwin (the "Vendors") in relation to the proposed acquisition of the entire issued and paid-up share capital of Capital City Property Sdn. Bhd. for a consideration to be satisfied in full by the issuance and allotment of new ordinary shares in the capital of Terratech Group Limited ("Consideration Share") at the issue price of 7.00 cents per Consideration Share ("Issue Price") (the "Proposed Acquisition").

3. The Proposed Acquisition (cont'd)

The Parties agree that the purchase consideration for the Sale Shares payable by the Company shall be S$300,000,000 ("Consideration"), which shall be fully satisfied, on Completion (as defined below), by the issuance and allotment of 1,071,428,569 Consideration Shares, to the Vendors and/or parties as may be nominated or requested by the Vendors.

The Company and the Vendors have subsequently agreed to restructure the Proposed Acquisition such that the acquisition of CCP shall be via the acquisition of all of the issued and paid-up shares in the Company, which, in turn, will hold the entire issued and paid-up share capital of CCP. Accordingly, the Company had, on 7 January 2017 entered into an amending and restatement deed ("Deed") with the Vendors, to amend and restate the SPA in its entirety (the SPA, as amended and restated by the Deed, shall be referred to hereinafter as the "Amended AVL SPA") and two separate sale and purchase agreements to acquire all of the issued and paid-up shares of FSVL and REGL. FSVL and REGL were incorporated on 8 December 2016 and 9 September 2016, respectively. The consideration for FSVL and REGL was US$400 in aggregate. Other than the separate joint venture agreements signed by FSVL's and REGL's respective subsidiaries, the companies were dormant since the date of incorporation.

4. The Enlarged Group

Pursuant to the Proposed Acquisition, the Company will have the following interest:

Name of company	Country of incorporation	Principal activities	Effective equity interest held (%)
Held by the Company			
Terratech Resources Pte. Ltd. ("TRPL")	Singapore	Investment holding, sales and marketing outside of People's Republic of China ("PRC")/Singapore	100
Altimate Ventures Limited ("AVL")	British Virgin Islands	Investment holding	100
Rise Expedition Global Limited ("REGL")	British Virgin Islands	Investment holding	100
First Star Ventures Limited ("FSVL")	British Virgin Islands	Investment holding	100

4. The Enlarged Group (cont'd)

Name of company	Country of incorporation	Principal activities	Effective equity interest held (%)
Subsidiaries held by TRPL			
CEP Resources Entity Sdn. Bhd.	Malaysia	Exploration, development and extraction of marble and production of marble products	100
Qingdao Terratech Resources Co., Ltd.	PRC	Sales and marketing in PRC	100
Shaanxi Hengyu Architectural Interior Engineering Co., Ltd.	PRC	Undertaking interior and exterior decoration work	80
Subsidiaries held by AVL			
Capital City Property Sdn. Bhd.	Malaysia	Property development services	100
Capital City Management Pte. Ltd.	Singapore	Business and management consultancy services	100
Subsidiaries held by REGL			
Capital City Ventures Sdn. Bhd.	Malaysia	Property development services	100
Subsidiaries held by FSVL			
Capital City Frontier Sdn. Bhd.	Malaysia	Property development services	100

5. Basis of preparation of the unaudited pro forma combined financial information

The unaudited pro forma combined financial information refers to the combined financial information of the Enlarged Group.

The unaudited pro forma combined financial information comprise the unaudited pro forma combined statements of comprehensive income for the years ended 30 June 2014, 2015 and 2016 and the three-month period ended 30 September 2016, the unaudited combined statements of financial position as at 30 June 2014, 2015 and 2016 and 30 September 2016 and the unaudited combined statements of cash flow for the years ended 30 June 2014, 2015 and 2016 and the three-month period ended 30 September 2016.

5. Basis of preparation of the unaudited pro forma combined financial information (cont'd)

The unaudited pro forma combined statements of comprehensive income and unaudited pro forma combined statements of cash flows of the Enlarged Group for the years ended 30 June 2014, 2015 and 2016 and the three-month period ended 30 September 2016 would have been if the Proposed Acquisition occurred on 1 July 2013.

The unaudited pro forma combined statements of financial position of the Enlarged Group as at 30 June 2014, 2015 and 2016 and 30 September 2016 would have been if the Proposed Acquisition occurred on 1 July for each of the respective years and period reported.

The unaudited pro forma combined financial information are for illustrative purposes only. The objective is to show what the historical financial information might have been had the Enlarged Group existed at an earlier date. However, the financial information of the Enlarged Group, by its nature may not give a true picture of the Enlarged Group's actual financial position and results and is not necessarily indicative of the results of the operations or the related effects on the financial position that would have been attained had the abovementioned Enlarged Group existed earlier.

In arriving at the unaudited pro forma combined financial information, adjustments have been made as considered necessary in order to present the financial statements on a consistent and comparable basis as if the Enlarged Group had been in existence through the period, or since the respective dates of incorporation or acquisition of the companies in the Enlarged Group, taking into consideration the following significant events.

The unaudited pro forma financial information of the Enlarged Group have been compiled based on the following:

(a) The consolidated financial statements of Terratech Group Limited and its subsidiaries for the financial years ended 31 March 2014, 2015 and 2016 are audited by Ernst & Young LLP, Singapore. These financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) The combined financial statements of Altimate Ventures Limited and its subsidiaries for the financial years ended 30 June 2014, 2015 and 2016 are audited by Ernst & Young LLP, Singapore. These financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

(c) The auditor's report on the financial statements mentioned in (a) and (b) above was not subject to any qualification.

5. Basis of preparation of the unaudited pro forma combined financial information (cont'd)

(d) The consolidated financial statements of Terratech Group Limited and its subsidiaries for the three-month period ended 30 June 2014, 2015 and 2016 and 30 September 2016 are reviewed by Ernst & Young LLP, Singapore for the purpose of aligning Terratech Group's financial information to the Enlarged Group's proposed financial year end as at 30 June.

(e) The combined financial statements of Altimate Ventures Limited and its subsidiaries for the three-month period ended 30 September 2016 are reviewed by Ernst & Young LLP, Singapore.

The unaudited pro forma combined financial statements are prepared using uniform accounting policies, for like transactions and other event in similar circumstances, as set out in respective financial statements in the Circular.

Proposed Acquisition – acquisition of the Target Group

The Proposed Acquisition as described in Note 3 will result in the shareholders of Altimate Ventures Limited obtaining the majority interest in the enlarged share capital of the Company. As such, the Proposed Acquisition is accounted for as reverse acquisition, in which it is deemed it is Altimate Ventures Limited, the legal subsidiary (accounting acquirer) that acquire Terratech Group Limited, the legal parent (accounting acquiree). The unaudited pro forma financial information of the Enlarged Group presented for the years ended 30 June 2014, 2015 and 2016 and the three-month period ended 30 September 2016 have been prepared using the reverse acquisition accounting for the Proposed Acquisition as set out in FRS 103 Business Combinations.

Under reverse acquisition accounting:

- the assets and liabilities of Target Group are recognised and measured at their pre-combination carrying amounts;

- the assets and liabilities of the Company and its subsidiaries are recognised and measured at the acquisition date fair values;

- the accumulated profits and other equity balances are the accumulated profits and other equity balances of the Target Group immediately before the reverse acquisition;

5. Basis of preparation of the unaudited pro forma combined financial information (cont'd)

Proposed Acquisition – acquisition of the Target Group (cont'd)

- the amount recognised as issued equity interests in the unaudited pro forma financial information of the Enlarged Group is determined by adding the issued equity interests of the Target Group outstanding immediately before the business combinations to the cost of the reverse acquisition of the Enlarged Group determined in accordance with FRS 103. However, the equity structure (i.e. the number and type of equity instrument issued) reflects the equity structure of the legal parent (accounting acquiree) and including the equity instruments issued by the legal parent to effect the combination. Accordingly, the equity structure of the legal subsidiary (accounting acquirer) is stated using the exchange ratio established in the acquisition agreement to reflect the number of shares of the legal parent (accounting acquiree) issued in the reverse acquisition;

- the non-controlling interest's proportionate share of the Target Group's pre-combination carrying amounts of retained earnings and other equity interests; and

- the combined statements of comprehensive income reflects the full year results of Target Group together with the post-acquisition results of the Company; and the comparative figures presented in these combined financial statements.

Transaction costs relating to the Proposed Acquisition

The transaction costs relating to the Proposed Acquisition deemed to be incurred is approximately RM9,700,000.

6. Statement of adjustments

The following adjustments have been made in arriving the unaudited pro forma combined financial information:

Unaudited Pro Forma Combined Statement of Comprehensive Income for the year ended 30 June 2014

	Summation of Financial Information of Enlarged Group before Adjustment	Pro Forma Adjustments for Enlarged Group	Unaudited Pro Forma Combined Statement of Comprehensive Income
	RM'000	RM'000	RM'000
Revenue	2,372		2,372
Cost of sales	(2,539)		(2,539)
Gross loss	(167)		(167)
Other income	270		270
Selling and distribution expenses	(16,661)		(16,661)
General and administrative expenses	(13,458)		(13,458)
Other expenses, net	(15,333)		(15,333)
Finance costs	(6,445)		(6,445)
Loss before tax	(51,794)		(51,794)
Income tax credit	3,965		3,965
Loss after tax	(47,829)		(47,829)
Other comprehensive income: Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations	312		312
Other comprehensive income for the year, net of tax	312		312
Total comprehensive loss for the year	(47,517)		(47,517)
Loss attributable to:			
Owners of the Company	(47,829)		(47,829)
Non-controlling interests	–		–
	(47,829)		(47,829)
Total comprehensive loss attributable to:			
Owners of the Company	(47,517)		(47,517)
Non-controlling interests	–		–
	(47,517)		(47,517)

6. Statement of adjustments (cont'd)

Unaudited Pro Forma Combined Statement of Comprehensive Income for the year ended 30 June 2015

	Summation of Financial Information of Enlarged Group before Adjustment	Pro Forma Adjustments for Enlarged Group	Unaudited Pro Forma Combined Statement of Comprehensive Income
	RM'000	RM'000	RM'000
Revenue	55,430		55,430
Cost of sales	(27,172)		(27,172)
Gross profit	28,258		28,258
Other income	1,309		1,309
Selling and distribution expenses	(7,972)		(7,972)
General and administrative expenses	(22,899)		(22,899)
Other expenses, net	(11,287)		(11,287)
Finance costs	(1,086)		(1,086)
Loss before tax	(13,677)		(13,677)
Income tax expense	(5,584)		(5,584)
Loss after tax	(19,261)		(19,261)
Other comprehensive income: Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations	1,956		1,956
Other comprehensive income for the year, net of tax	1,956		1,956
Total comprehensive loss for the year	(17,305)		(17,305)
Profit attributable to:			
Owners of the Company	(19,150)		(19,150)
Non-controlling interests	(111)		(111)
	(19,261)		(19,261)
Total comprehensive loss attributable to:			
Owners of the Company	(17,189)		(17,189)
Non-controlling interests	(116)		(116)
	(17,305)		(17,305)

6. Statement of adjustments (cont'd)

Unaudited Pro Forma Combined Statement of Comprehensive Income for the year ended 30 June 2016

	Summation of Financial Information of Enlarged Group before Adjustment	Pro Forma Adjustments for Enlarged Group	Unaudited Pro Forma Combined Statement of Comprehensive Income
	RM'000	RM'000	RM'000
Revenue	114,565		114,565
Cost of sales	(50,783)		(50,783)
Gross profit	63,782		63,782
Other income	7,196		7,196
Selling and distribution expenses	(4,736)		(4,736)
General and administrative expenses	(15,782)		(15,782)
Other expenses, net	(809)		(809)
Finance costs	(46)		(46)
Profit before tax	49,605		49,605
Income tax expense	(15,441)		(15,441)
Profit after tax	34,164		34,164
Other comprehensive income: Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations	(2,260)		(2,260)
Other comprehensive income for the year, net of tax	(2,260)		(2,260)
Total comprehensive income for the year	31,904		31,904
Profit attributable to:			
Owners of the Company	34,387		34,387
Non-controlling interests	(223)		(223)
	34,164		34,164
Total comprehensive income attributable to:			
Owners of the Company	32,142		32,142
Non-controlling interests	(238)		(238)
	31,904		31,904

6. Statement of adjustments (cont'd)

Unaudited Pro Forma Combined Statement of Comprehensive Income for the three-month period ended 30 September 2015

	Summation of Financial Information of Enlarged Group before Adjustment	Pro Forma Adjustments for Enlarged Group	Unaudited Pro Forma Combined Statement of Comprehensive Income
	RM'000	RM'000	RM'000
Revenue	22,652		22,652
Cost of sales	(11,035)		(11,035)
Gross profit	11,617		11,617
Other income	1,225		1,225
Selling and distribution expenses	(1,633)		(1,633)
General and administrative expenses	(3,564)		(3,564)
Finance costs	(19)		(19)
Profit before tax	7,626		7,626
Income tax expense	(2,350)		(2,350)
Profit after tax	5,276		5,276
Other comprehensive income: Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations	(1,187)		(1,187)
Other comprehensive income for the year, net of tax	(1,187)		(1,187)
Total comprehensive income for the year	4,089		4,089
Profit attributable to:			
Owners of the Company	5,122		5,122
Non-controlling interests	154		154
	5,276		5,276
Total comprehensive income attributable to:			
Owners of the Company	3,926		3,926
Non-controlling interests	163		163
	4,089		4,089

6. Statement of adjustments (cont'd)

Unaudited Pro Forma Combined Statement of Comprehensive Income for the three-month period ended 30 September 2016

	Summation of Financial Information of Enlarged Group before Adjustment	Pro Forma Adjustments for Enlarged Group	Unaudited Pro Forma Combined Statement of Comprehensive Income
	RM'000	RM'000	RM'000
Revenue	33,909		33,909
Cost of sales	(10,433)		(10,433)
Gross profit	23,476		23,476
Other income	225		225
Selling and distribution expenses	(2,222)		(2,222)
General and administrative expenses	(3,660)		(3,660)
Finance costs	(5)		(5)
Profit before tax	17,814		17,814
Income tax expense	(4,813)		(4,813)
Profit after tax	13,001		13,001
Other comprehensive income: Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations	(252)		(252)
Other comprehensive income for the year, net of tax	(252)		(252)
Total comprehensive income for the year	12,749		12,749
Profit attributable to:			
Owners of the Company	13,004		13,004
Non-controlling interests	(3)		(3)
	13,001		13,001
Total comprehensive income attributable to:			
Owners of the Company	12,749		12,749
Non-controlling interests	–		–
	12,749		12,749

6. Statement of adjustments (cont'd)

Unaudited Pro Forma Combined Statement of Financial Position as at 30 June 2014

	Summation of Financial Information of Enlarged Group before Adjustment		Pro Forma Adjustments for Enlarged Group	Unaudited Pro Forma Combined Statement of Financial Position
	RM'000		RM'000	RM'000
Non-current assets				
Property, plant and equipment	53,287			53,287
Intangible assets	1,885			1,885
Goodwill	–	(a)	10,599	10,599
Inventory properties	99,673			99,673
Investment property under construction	55,938			55,938
Deferred expenditure	5,646			5,646
Prepayments	1,209			1,209
Deferred tax assets	4,019			4,019
	221,657			232,256
Current assets				
Inventory properties	61,709			61,709
Inventories	8,289			8,289
Deferred expenditure	2,346			2,346
Trade and other receivables	9,082			9,082
Prepayments	1,737			1,737
Tax recoverable	123			123
Fixed deposits	255			255
Cash and bank balances	49,270			49,270
	132,811			132,811
Total assets	354,468			365,067

6. Statement of adjustments (cont'd)

Unaudited Pro Forma Combined Statement of Financial Position as at 30 June 2014 (cont'd)

	Summation of Financial Information of Enlarged Group before Adjustment		Pro Forma Adjustments for Enlarged Group	Unaudited Pro Forma Combined Statement of Financial Position
	RM'000		RM'000	RM'000
Current Liabilities				
Interest-bearing bank and other borrowings	2,844			2,844
Trade and other payables	130,535			130,535
Deferred revenue	60,008			60,008
Provision for taxation	54			54
	193,441			193,441
Net current liabilities	(60,630)			(60,630)
Non-current liabilities				
Interest-bearing bank and other borrowings	1,102			1,102
Trade payables	213,913			213,913
	215,015			215,015
Total liabilities	408,456			408,456
Net liabilities	(53,988)			(43,389)
Equity				
Share capital	15,159	(c)	(11,059)	4,100
Reserves	(69,147)	(c)	(574)	(47,489)
		(d)	(54)	
		(c)	22,286	
	(53,988)			(43,389)
Non-controlling interests	–			–
Total deficit	(53,988)			(43,389)

6. Statement of adjustments (cont'd)

Unaudited Pro Forma Combined Statement of Financial Position as at 30 June 2015

	Summation of Financial Information of Enlarged Group before Adjustment		Pro Forma Adjustments for Enlarged Group	Unaudited Pro Forma Combined Statement of Financial Position
	RM'000		RM'000	RM'000
Non-current assets				
Property, plant and equipment	61,231			61,231
Intangible assets	1,987			1,987
Goodwill	3,821	(a)	52,372	56,193
Inventory properties	120,484			120,484
Investment property under construction	78,399			78,399
Deferred expenditure	9,362			9,362
Prepayments	1,023			1,023
Other receivables	2,700			2,700
	279,007			331,379
Current assets				
Inventory properties	70,916			70,916
Inventories	9,856			9,856
Deferred expenditure	2,658			2,658
Trade and other receivables	32,125			32,125
Prepayments	1,718			1,718
Tax recoverable	4,293			4,293
Fixed deposits	12,444			12,444
Cash and bank balances	26,573			26,573
	160,583			160,583
Total assets	439,590			491,962

6. Statement of adjustments (cont'd)

Unaudited Pro Forma Combined Statement of Financial Position as at 30 June 2015 (cont'd)

	Summation of Financial Information of Enlarged Group before Adjustment		Pro Forma Adjustments for Enlarged Group	Unaudited Pro Forma Combined Statement of Financial Position
	RM'000		RM'000	RM'000
Current liabilities				
Interest-bearing bank and other borrowings	1,451			1,451
Trade and other payables	66,298			66,298
Deferred revenue	134,187			134,187
	201,936			201,936
Net current liabilities	(41,353)			(41,353)
Non-current liabilities				
Interest-bearing bank and other borrowings	545			545
Trade payables	195,299			195,299
Deferred tax liabilities	1,458			1,458
	197,302			197,302
Total liabilities	399,238			399,238
Net assets	40,352			92,724
Equity				
Share capital	22,240	(c)	(17,240)	127,410
		(b)	122,410	
Reserves	17,708	(c)	(113,771)	(35,090)
		(d)	(395)	
		(c)	61,368	
	39,948			92,320
Non-controlling interests	404			404
Total equity	40,352			92,724

6. Statement of adjustments (cont'd)

Unaudited Pro Forma Combined Statement of Financial Position as at 30 June 2016

	Summation of Financial Information of Enlarged Group before Adjustment		Pro Forma Adjustments for Enlarged Group	Unaudited Pro Forma Combined Statement of Financial Position
	RM'000		RM'000	RM'000
Non-current assets				
Property, plant and equipment	81,342			81,342
Intangible assets	2,035			2,035
Goodwill	3,769	(a)	29,729	33,498
Inventory properties	83,645			83,645
Investment property under construction	124,946			124,946
Deferred expenditure	2,540			2,540
	298,277			328,006
Current assets				
Inventory properties	148,805			148,805
Inventories	11,399			11,399
Deferred expenditure	9,331			9,331
Trade and other receivables	30,589			30,589
Prepayments	1,781			1,781
Fixed deposits	12,698			12,698
Cash and bank balances	6,491			6,491
	221,094			221,094
Total assets	519,371			549,100

6. Statement of adjustments (cont'd)

Unaudited Pro Forma Combined Statement of Financial Position as at 30 June 2016 (cont'd)

	Summation of Financial Information of Enlarged Group before Adjustment		Pro Forma Adjustments for Enlarged Group	Unaudited Pro Forma Combined Statement of Financial Position
	RM'000		RM'000	RM'000
Current liabilities				
Interest-bearing bank and other borrowings	484			484
Trade and other payables	121,305			121,305
Deferred revenue	157,744			157,744
Provision for taxation	4,355			4,355
	283,888			283,888
Net current liabilities	(62,794)			(62,794)
Non-current liabilities				
Interest-bearing bank and other borrowings	83			83
Trade payables	149,941			149,941
Deferred tax liabilities	2,870			2,870
	152,894			152,894
Total liabilities	436,782			436,782
Net assets	82,589			112,318
Equity				
Share capital	25,426	(c)	(20,427)	82,627
		(b)	77,628	
Reserves	56,972	(c)	(124,897)	29,500
		(d)	(2,642)	
		(c)	100,067	
	82,398			112,127
Non-controlling interests	191			191
Total equity	82,589			112,318

6. Statement of adjustments (cont'd)

Unaudited Pro Forma Combined Statement of Financial Position as at 30 September 2016

	Summation of Financial Information of Enlarged Group before Adjustment		Pro Forma Adjustments for Enlarged Group	Unaudited Pro Forma Combined Statement of Financial Position
	RM'000		RM'000	RM'000
Non-current assets				
Property, plant and equipment	90,150			90,150
Intangible assets	2,042			2,042
Goodwill	3,850	(a)	41,497	45,347
Inventory properties	89,590			89,590
Investment property under construction	127,560			127,560
Deferred expenditure	1,738			1,738
	314,930			356,427
Current assets				
Inventory properties	162,073			162,073
Inventories	11,723			11,723
Deferred expenditure	9,848			9,848
Trade and other receivables	33,530			33,530
Prepayments	1,504			1,504
Fixed deposits	12,799			12,799
Cash and bank balances	10,820			10,820
	242,297			242,297
Total assets	557,227			598,724
Current liabilities				
Interest-bearing bank and other borrowings	373			373
Trade and other payables	174,756			174,756
Deferred revenue	156,231			156,231
Provision for taxation	6,727			6,727
	338,087			338,087
Net current liabilities	(95,790)			(95,790)

6. Statement of adjustments (cont'd)

Unaudited Pro Forma Combined Statement of Financial Position as at 30 September 2016 (cont'd)

	Summation of Financial Information of Enlarged Group before Adjustment		Pro Forma Adjustments for Enlarged Group	Unaudited Pro Forma Combined Statement of Financial Position
	RM'000		RM'000	RM'000
Non-current liabilities				
Interest-bearing bank and other borrowings	71			71
Trade payables	120,440			120,440
Deferred tax liabilities	2,811			2,811
	123,322			123,322
Total liabilities	461,409			461,409
Net assets	95,818			137,315
Equity				
Share capital	25,705	(c)	(20,705)	83,685
		(b)	78,685	
Reserves	69,919	(c)	(126,207)	53,436
		(d)	(391)	
		(c)	110,115	
	95,624			137,121
Non-controlling interests	194			194
Total equity	95,818			137,315

6. Statement of adjustments (cont'd)

Details of pro forma adjustments made are as follows:

(a) Being adjustments to reflect the provisional goodwill arising from the Proposed Acquisition.

(b) Being adjustments to account for the issuance of 1,071,428,569 new ordinary shares based on the share price as at 30 June 2014, 2015 and 2016 and 30 September 2016 pursuant to the Proposed Acquisition.

(c) Being adjustments to reflect the Company's share of pre-acquisition reserve.

(d) Being adjustments to reflect the foreign currency translation effect of Terratech Group to the presentation currency of the Enlarged Group in Ringgit Malaysia ("RM") at the average exchange rate of the respective financial years then ended.

The unaudited pro forma combined financial information for the financial years ended 30 June 2014, 2015 and 2016 and the three-month period ended 30 September 2016 do not take into consideration the estimated professional expenses and other expenses relating to the Proposed Acquisition of approximately RM9,700,000.

7. Earnings per share

Basic earnings per share are calculated by dividing profit net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the years. The number of ordinary shares outstanding is based on the number of shares of the Company as at 30 September 2016 as disclosed below for illustrative purpose.

(A) Computation of number of Consolidated Shares for purpose of the Proposed Acquisition

	Number of shares issued
Number of shares as at 30 September 2016	683,542,003
Consolidation of 4 ordinary shares into 1 and total number of Consolidated Shares	170,885,501
Issuance of consideration shares in connection with the Proposed Acquisition	1,071,428,569
Total number of ordinary shares	1,242,314,070

(B) The following tables reflect the profit/(loss) for the year/period attributable to owners of the Company and share data used in the computation of basic and diluted earnings per share for the years ended 30 June 2014, 2015 and 2016 and the three-month period ended 30 September 2016:

	Years ended 30 June			Three-month period ended 30 September	
	2016	2015	2014	2016	2015
Profit/(loss) for the year attributable to owners of the Company (RM'000)	34,387	(19,150)	(47,829)	13,004	5,122
Number of Consolidated Shares (in '000) computed based on (A) above	1,242,314	1,242,314	1,242,314	1,242,314	1,242,314
Basic and diluted earnings/(loss) per Consolidated Share (cents)	2.80	(1.50)	(3.80)	1.10	0.40

The diluted earnings per share are the same as basic earnings per share because there are no potential dilutive instruments present at year/period end.

APPENDIX E – PROPERTY VALUATION CERTIFICATE

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Our Ref : 2160483/ET

30th September 2016

The Board of Directors
Terratech Group Limited
2 Kaki Bukit Place
#07-00 Eunos Techpark
Singapore 416180

SUNTEC REAL ESTATE
CONSULTANTS PTE LTD

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Suntec Tower 2
Singapore 038989
Tel: +65 6221 8288 Fax: +65 6225 7537
www.suntecrealestate.com
UEN No. 198404370K

Dear Sirs,

VALUATION OF DEVELOPMENT PROJECT AT JALAN TAMPOI, JOHOR BAHRU CITY CENTRE, DISTRICT OF JOHOR BAHRU, STATE OF JOHOR, MALAYSIA BY CAPITAL CITY PROPERTY SDN BHD

Thank you for your instructions to conduct a valuation of the development project for the proposed acquisition (Reverse Takeover) of Altimate Ventures Limited by Terratech Group Ltd (hereinafter known as the Client). The proposed development is undertaken by Capital City Property Sdn Bhd (hereinafter known as CCPSB), the wholly owned subsidiary of Altimate Ventures Limited.

We confirmed that we have inspected the subject development site and conducted relevant enquiries and investigations as we consider necessary for the purpose of providing you with our opinion of the value of the development project as at 30 September 2016.

We have been instructed to determine the Gross Development Value (GDV) of the proposed development and the Fair Value of the development profit.

Gross Development Value as defined by the Royal Institution of Chartered Surveyors (RICS) is the aggregate Market Value of the proposed development assessed on the special assumption that the development is completed as at the date of valuation in the market conditions prevailing at that date.

Market Value as defined by the International Valuation Standards (IVS) is "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Fair Value adopted in this valuation is defined by the International Valuation Standards Council (IVSC) as the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.

Fair Value represents the price that would be reasonably agreed between two specific parties for the exchange of an asset. Although the parties may be unconnected and negotiating at arm's length, the asset is not necessarily exposed in the wider market. In addition, the price agreed may be one that reflects the specific advantages (or disadvantages) of ownership to the parties involved rather than the market at large.

A common application of Fair Value is for assessing the price that is fair for the shareholding in a business, where particular synergies between two specific parties may mean that the price is fair between them is different from the price that might be obtainable in the wider market.

In this instance, the asset that is the subject of this acquisition is the expected profit of the subject development project, and this is the difference between the Gross Development Value and the total development costs including land cost, construction cost, interest and taxes, legal and marketing costs and discounted to present value.

Suntec Real Estate Consultants Pte Ltd had held discussion with the management of CCPSB and had examined publicly available information collated by us as well as information, both written and verbal, provided to us by CCPSB and its professional advisers. We have relied upon and assumed the accuracy of such information and have not independently verified such information, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of, such information. However, we have made reasonable enquiries and exercised our judgement as we deem necessary on such information and have found no reason to doubt the reliability of the information.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions.

We are an independent external valuer in relation to the proposed acquisition. We are not a shareholder, director or employee of the issuer or any of its subsidiaries, or in partnership with or employed by a substantial shareholder, director or employee.

We have no present nor prospective interest in the subject development project and are not related corporation to nor do we have a relationship with the Client, CCPSB, adviser or other party/parties whom the Client is contracting with in this transaction.

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Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the Client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

No structural survey of the property has been completed or any testing of services been carried out. We have assumed that there will be no structural defects and that all building services will be fully functional upon completion of the development. We have also not carried out any investigations on the suitability of the site and ground conditions for the existing or any new development, nor have we undertaken any archeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory.

No allowance has been made in our valuation for any charges, mortgages or amounts owing neither on the property, nor for any expenses or taxation which may be incurred in effecting a sale. Besides those that are expressly stated in the reports, it is assumed that the property is free from any major or material encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have prepared this valuation and specifically disclaim liability to any person in the event of any omission from or false or misleading statement including in the Circular, other than in respect of the information provided within the valuation report and summary. We do not make any warranty or representation as to the accuracy of the information in any part of the Circular other than as expressly and / or given in this valuation report and summary.

Our opinion of values is in the Valuation Certificate enclosed.

We hereby certify that our valuers undertaking this valuation are authorised to practice as valuers and have the necessary expertise and experience in valuing similar types of properties.

Yours faithfully
SUNTEC REAL ESTATE CONSULTANTS PTE LTD



Eugene Tham
Executive Director
Licensed Appraiser (Lands & Buildings)
AD041- 2006132G

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VALUATION CERTIFICATE

Date	:	30th September 2016
Our reference	:	2160483/ET
Valuation Prepared for	:	Terratech Group Limited
Purpose of Valuation	:	Submission to the Singapore Exchange Securities Trading Limited (the "SGX-ST") in relation to the acquisition (Reverse Takeover) of Altimate Ventures Limited.
Date of Inspection	:	12th August 2016
Address of Property	:	Lot PTB 24274, Bandar Johor Bahru, Distcict of Johor Bahru, State of Johor, Malaysia.
Type of Property	:	A parcel of commercial land approved for mixed development as follows:-

Phase 1	1. A block of 13-storey retail cum car park podium with a level of facility/sky deck (known as Capital 21)
Phase 2	1. A block of 18-storey hotel building (315 rooms) 2. A block of 18-storey hotel serviced suites comprising 630 units of hotel suites (known as Capital Suites) 3. 3 blocks of 15-storey serviced apartments (690 units)

Location	:	The subject development is situated along Jalan Tampoi, about 7 kilometres north-west of Johor Bahru City Center. It is accessible from Johor Bahru City Center via Jalan Wong Ah Fook, Jalan Tun Abdul Razak, Jalan Bertingkat Skudai and Jalan Tampoi, the frontage road of the subject development.

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Location (Cont'd)	:	The subject development is strategically located along Jalan Tampoi with excellent access through interlinking of highways most notably to Tebrau Highway and Skudai highway. It is located approximately 7.5 kilometres away from the Causeway and about 20 kilometres from the Second Link. The subject locality is also easily accessible to Pasir Gudang via the Pasir Gudang Highway – Jalan Tampoi link. Prominent developments located within a 5-kilometre radius of the subject development include Jentayu Residence, Danga Boulevard Commercial Hub, LHDN Building, Institut Kemahiran MARA Johor Bahru, SJK(C) Foon Yew 4, Plaza Angsana, Royal Johor Country Club, Giant Hypermarket and Mydin Mart. Residential schemes nearby are Taman Damansara Aliff, Taman Bukit Alif, Taman Orkid, Kampung Alif, Bandar Baru Uda and Taman Tampoi.
Legal Description	:	LOT PTB 24274, HSD 547601, Bandar Johor Bahru, District of Johor Bahru, Johor Darul Takzim.
Land Area	:	40,851.932 square meters (439,726 square feet)
Tenure	:	Freehold
Land Rent / Quit Rent	:	RM171,780.00
Category of Land Use	:	Bangunan

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Registered Proprietor	:	Achwell Property Sdn Bhd
Approved Development	:	1. 13-storey Commercial Space with car park and a level of facility areas. 2. 2 blocks (Tower A –B) of 18-storey hotel & serviced suites (945 units) 3. 3 blocks (Tower C-E) of 15-storey office suites (690 units)
Proposed Gross Floor Area	:	Phase 1 - About 283,261.37 square metres Phase 2 – About 95,322.12 square metres Total - About 378,583.49 square metres
Proposed Net Floor Area	:	Phase 1 - About 90,885.00 square metres Phase 2 – About 85,352.43 square metres Total - About 176,237.43 square metres
Year of Completion	:	Phase 1 – 2nd Quarter 2018 Phase 2 - Expected to be in Year 2020
Basis of Valuation	:	a) Gross Development Value of the development project, subject to Satisfactory Completion and issuance of Occupation Permit and Certificate of Statutory Completion b) Fair Value (Development Profit)
Method of Valuation	:	Market Comparison Method & Residual Method

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Valuation :

In view of the foregoing and taking into consideration the prevailing market conditions, we are of the opinion that the Gross Development Value of the subject development project and the Fair Value of the development profit, free from all encumbrances are as follows:-

MATERIAL DATE OF VALUATION : 30th September 2016

GROSS DEVELOPMENT VALUE Subject to Satisfactory Completion and Issuance of Occupation Permit (Present Value Basis)	**RM 2,416,000,000/-** (Ringgit Malaysia Two Billion, Four Hundred And Sixteen Million Only)
FAIR VALUE (DEVELOPMENT PROFIT) Net of all outgoings including land cost, construction cost and tax (Present Value Basis) **Exchange Rate as at 30th Sept 2016** S$1: RM3.0359	**RM 965,000,000/-** (Ringgit Malaysia Nine Hundred And Sixty Five Million Only) (Equivalent to Singapore Dollar $317,863,000/-approximately)

SUNTEC REAL ESTATE CONSULTANTS PTE LTD

Eugene Tham
Licensed Appraiser (Lands & Buildings)
MSISV, MBA (Accountancy)

Gan Boon How
B. Sc. (Hons) Prop. Mgt., MRISM, MPEPS
Registered Valuer (V1017)

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REAL ESTATE

Our Ref : 2160482/BV/CSH/MK

29th March 2017

The Board of Directors
Terratech Group Limited
2 Kaki Bukit Place
#07-00 Eunos Techpark
Singapore 416180

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UEN No. 198404370K

Dear Sirs,

VALUATION CERTIFICATE
INDEPENDENT FINANCIAL VALUATION OF
THE ENTIRE INTEREST (100%) IN ALTIMATE VENTURES LIMITED

1.0 INTRODUCTION

Suntec Real Estate Consultants Pte Ltd (the "Valuers") has been engaged by Terratech Group Limited (hereinafter "Terratech" or the "Client") to conduct an independent valuation to determine the '**Fair Value**' of 100% interest in Altimate Ventures Limited (hereinafter the "Target Company" or "AVL") as at 6 January 2017, being the date of the transaction in connection with the proposed acquisition (Reverse Takeover) of the Target Company and its subsidiary by the Client.

The Target Company owns 100% share in the subsidiary company Capital City Property Sdn Bhd (hereinafter the "Subsidiary" or "CCPSB"). CCPSB in turn owns 100% share in Capital City Management Pte Ltd (hereinafter "CCMPL"). AVL, CCPSB and CCMPL are collectively known as the "Group Companies".

The Client has intention to acquire the Subsidiary through the acquisition of all the issued and paid-up shares in the Target Company.

Pursuant to the Amending & Restatement Deed signed on 6 January 2017, the Client has entered into a Sale And Purchase Agreement (the "Transaction") dated 6 January 2017 to acquire 100% of the issued and share capital of the Target Company .

This letter is prepared for submission to the Singapore Exchange Securities Trading Limited (the "SGX-ST") in relation to the acquisition (Reverse Takeover) of the Target Company by the Client.

This letter should be used for no other purpose without our express written consent. It is subject to the limiting conditions and general service conditions described in our full valuation report.

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2.0 ROLE OF VALUERS

The Valuers are independent External Valuers. We confirm that the valuers involved in this valuation have sufficient knowledge, skills and understanding to undertake the valuation competently.

The Valuers have no present nor prospective interest in the Transaction and are not related corporation to nor do they have a relationship with the Client, the Target Company, the advisers or other party/ parties whom the Client or the Target Company is contracting with in this Transaction.

The Valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the Client or the Target Company, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We confirmed that we have carried out field visits, obtained relevant information and held discussions with the management of the Target Company during the course of our valuation.

3.0 TERMS OF REFERENCE & QUALIFICATIONS

Our opinion of the fair value is based on generally accepted valuation principles and practices that rely on the use of reasonable assumptions, and it is our independent assessment based on our professional judgement and experience, taking into consideration the general market, economic and relevant industry conditions prevailing at the material date.

Our work does not constitute an audit, review or verification of the financial statements and forecasts and excludes the discovery of errors, irregularities or illegal acts including frauds, and falsifications that may exist. It does not express any opinion or comment on the strategic, financial, legal or commercial merits and risks of the Transaction to the Client.

We are also not in a position to advise the Client on the compliance or otherwise of the development covenants of the project undertaken by the Target Company and its subsidiary.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us. We have relied on information from the management and advisors of the Target Company and they have confirmed that to the best of their knowledge and belief, the information and data provided to us for the purpose of this valuation is a full and true disclosure of the relevant and material facts. We have assumed that the financial and other information provided to us is accurate and complete and we have relied upon this information in our valuation.

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4.0 SOURCES OF INFORMATION

Our analysis and conclusion was based on our discussions with the management of the Target Company as well as a review of the records of the Target Company and CCPSB, Sale and Purchase Agreements and financial projections, including but not limited to :-

i) Incorporation documents for the Target Company, the Subsidiary and CCMPL

ii) Audited financial statements of the Subsidiary for the period ending 30 June 2014 and 30 June 2015

iii) Pro forma financial statements of the Subsidiary for the period ending 30 June 2016

iv) Sale and Purchase Agreement relating to the acquisition of the entire shareholding interest in the Subsidiary dated 9th June 2016

v) Sale and Purchase Agreement relating to the acquisition of the entire issued and paid up capital of the Target Company dated 6th January 2017

vi) Amending and Restatement Deed (amending and restating the Sale and Purchase Agreement dated 9 June 2016 relating to the entire shareholding interest in the Subsidiary)

vii) The Joint Venture Agreement between Achwell Property Sdn Bhd and the Subsidiary

viii) Property Valuation Report prepared by Suntec Real Estate Consultants Pte Ltd

ix) Cost analyses and sales status

x) Other relevant Company documents

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by the Company. We assume that the financial and other information provided to us is accurate and complete and we have relied upon this information in performing our valuation.

We have also relied upon publicly available information from sources on capital markets, including industry reports, trade journals, business publications and various databases of publicly traded companies.

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5.0 BASIS OF VALUATION

The basis of valuation is the Fair Value of the entire shareholding interest (100%) of the subject Company on a going concern basis.

Fair Value is defined by the Accounting Standards Council (ASC) Singapore under FRS 113 as 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 above definition is similar to the Market Value definition adopted under International Valuation Standards Council (IVSC). Our valuation has been prepared in accordance with the International Valuation Standards on Business Valuation published by the International Valuation Standards Council. This standard contains guidelines on the basis and valuation approaches used in business valuation.

6.0 KEY ASSUMPTIONS

The independent opinion of the estimate of fair value of 100% interest of the Target Company is based on the following key assumptions and management representations :-

a. The Property Valuation Report prepared by Suntec Real Estate Property Consultants Pte Ltd ("SRE") appropriately reflects the aggregate fair value of the development profit of the Project. We noted that the value in SRE's report is at 30 September 2016. We have consulted SRE and have been advised that there is no material change in the market condition between 30 September 2016 and 6 January 2017

b. The Pro Forma Financial Statements prepared by Ernst & Young as at 30 September 2016 fairly reflects the financials of the Company as at the 6 January 2017

c. From the commencement of the project to develop the subject property up to the Valuation Date, no distributions have been made to the Vendors or the Ultimate Shareholders.

d. All necessary licences and regulatory approvals required to operate the business are valid and up to date

e. The Company continues to operate as a going concern

f. **All assets and liabilities <u>are related to the Project</u>** i.e. there are no surplus or non-operational assets not disclosed to us, which would have a material impact on the fair value of the Company.

g. The business value of CCMPL is negligible

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6.0 KEY ASSUMPTIONS (Con't)

h. There are no undisclosed actual or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business nor any litigation pending or threatened, which would have a material impact on the Company.

7.0 VALUATION METHODOLOGY

In arriving at the Fair Value of the entire interest (100%) of the Target Company, we have examined the use of the three main approaches namely Market, Income and the Cost approaches

In business valuation, the 'cost approach' is often termed adjusted net asset approach. This approach values the equity of a company by valuing its individual assets and liabilities at their respective fair market values. An adjusted asset approach is generally more appropriate when valuing 'holding companies' or operating companies which are capital intensive, have highly unpredictable earnings or are contemplating liquidation.

The cost approach views the business as a set of assets and liabilities that are used as building blocks to construct the business value. The cost approach is based on economic principle of substitution which addresses how much it will cost to create another business like the business of interest

Having considered the nature of the Target Company and its business and that of the Subsidiary, and the nature of the Transaction, we are of the opinion that cost approach is the most appropriate method for the following reasons:

a) The value of the Target Company lies in the Subsidiary, CCPSB. CCPSB was set up for the sole purpose of developing the Capital City project. It has no other development project as at the date of valuation. Our analysis of the financial statements of CCPSB reveals that all assets and liabilities are related to the single project. There are no surplus assets or liabilities which are not related to the project. Thus, in undertaking the Adjusted Net Asset Approach, we have summed the fair value of the development profit of the Project as estimated in the Property Valuation Report prepared by Suntec Real Estate with the paid up capital of CCPSB

b) The Subsidiary, CCPSB, is a special purpose vehicle set up for the sole purpose of developing Capital City, a specific, integrated, residential-cum-commercial development in Johor. Given the lack of market transactions of such uniquely incorporated entities, it will be inappropriate to compare it with other generic real estate development companies with a wider development mandate and interest;

c) The Income approach entails the discounting of future economic income stream to the present with an appropriate risk-adjusted discount rate. The economic income stream to be derived from the Target Company is from the sales revenue generated from the Project by its Subsidiary, which is already captured in the Property Valuation Report by SRE. It would be inappropriate and redundant to adopt the same approach for the purpose of this business valuation.

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8.0 CONCLUSION OF VALUE

Having considered the factors outlined in the foregoing, we are of the opinion that the estimated fair value of 100% interest of the Target Company, Altimate Ventures Limited, including the total issued and paid up capital of the Subsidiary, Capital City Property Sdn Bhd ('CCPSB'), as at 6 January 2017, is as follows :-

Fair Value of Development Profit	RM965,000,000.00
Paid Up Capital	RM 5,000,000.00
Grand Total	**RM970,000,000.00**

(Ringgit Malaysia : Nine Hundred and Seventy Million Only).

We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report.

Suntec Real Estate Consultants Pte Ltd

CHNG SHIH HIAN
MSISV, MRICS
Licensed Appraiser (Singapore)
MSISV, MRICS

Sr MICHAEL K.K.KONG, FRISM, MRICS, MSISV, MPEPS, ICVS, ACIArb
Chartered Surveyor (UK)
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IMPORTANT NOTE:

The signature in this page should be in blue ink. If not please call the signatory to authenticate the value reported.

Achwell JVA

The discussion below provides a summary of the certain provisions of the Achwell JVA. This discussion is only a summary and is qualified by reference to the Achwell JVA.

CCP entered into the Achwell JVA with Achwell Property, a wholly-owned subsidiary of Gadang, on 26 December 2013 and a supplemental agreement to the Achwell JVA dated 31 March 2015 for the proposed development and construction of an integrated development on the CCP Land Asset.

The basis of sharing is that Achwell Property shall be entitled to a total value equivalent to 16.7% of the final aggregate of the gross individual unit selling price of the Units of Project Capital City up to a maximum sum of RM323,999,999 only which shall include the market value of the CCP Land Asset of RM57,500,000 only ("**Achwell's Entitlement Sum**"). The Achwell's Entitlement Sum was arrived at commercially after a detailed evaluation of, *inter alia*, the project's expected profitability by CCP and negotiations with Achwell Property on a willing-buyer willing-seller basis.

Achwell Property has represented in the Achwell JVA that it has legal and beneficial title to the CCP Land Asset. In the event that Achwell Property is liable for misrepresentation in relation to the ownership of the CCP Land Asset which results in the development being made on land for which proper land titles have not been obtained, CCP is entitled to terminate the Achwell JVA and take all such actions as may be necessary to claim damages or seek other remedies for any losses incurred arising out of the termination of the Achwell JVA. Further, prior to entry into the Achwell JVA, CCV had conducted checks with, *inter alia*, relevant land offices on land titles in respect of the CCP Land Asset to verify that Achwell Property is the owner of the CCP Land Asset.

CCP shall at its own costs commence the Works (as defined in the Achwell JVA) within 60 days from the date of the first Building Plans (as defined in the Achwell JVA) approval received from the appropriate authorities for Project Capital City ("**Commencement Date**").

The Parties agree that the Works (as defined in the Achwell JVA) shall be carried out and Project Capital City shall be completed in accordance with the Plans (as defined in the Achwell JVA), and approved by the appropriate authorities not later than 66 months from Commencement Date.

CCP shall complete construction of the Retail Podium (as defined in the Achwell JVA) within a period of 36 months from the Commencement Date failing which Achwell Property may terminate the Achwell JVA for CCP's breach of a material obligation.

CCP shall not effect any change in its existing shareholders and/or shareholdings and/or any directors in Mr. Siow, Mr. Colin Tan and/or Mr. Edwin Tan without the written consent of Achwell Property. Save for AVL, CCP and the moratorium undertakings to be provided by the AVL Shareholders to Achwell Property as described in Section 2.2(g) entitled "Moratorium – AVL Shareholders" of this Circular, this restrictive covenant does not extend to the shareholding or board compositions of the Company or any of the other Enlarged Group Companies.

On 13 March 2017, CCP and Achwell Property entered into the Achwell Supplemental Agreement in relation to the delivery of an approval from Achwell Property ("**APSB Approval**") on the same date that:

(a) Achwell Property has no objection towards the change in control of the shareholdings and/or board of directors of AVL or CCP;

(b) as at the date of the APSB Approval, the Achwell JVA is valid and subsisting;

(c) as at the date of the APSB Approval, CCP is not in default of any of the terms and conditions in the Achwell JVA; and

(d) Achwell Property has no objection to the resignation of Mr. Colin Tan and Mr. Edwin Tan as directors of CCP upon completion of the Proposed AVL Acquisition.

Achwell Property had agreed to deliver to CCP the APSB Approval, subject to CCP undertaking to fulfil, among others, the following:

(i) CCP shall procure that the AVL Shareholders and/or its nominees shall be subject to a moratorium over their interests in the Consideration Shares from the AVL Completion Date until (aa) the full settlement of Achwell's Entitlement Sum; or (bb) the expiry of a period of three (3) years commencing from the AVL Completion Date, whichever is earlier;

(ii) provide a confirmation in writing from the Company, AVL and/or CCMPL not to charge to CCP, directly or indirectly, any management fees (howsoever termed) or any other fees for services rendered or otherwise unless with the written consent of Achwell Property, save that for services rendered by CCMPL to CCP, such consent shall not be unreasonably withheld, and CCP shall not make any payment to the Company, AVL and/or CCMPL in any form whatsoever, unless with the written consent of Achwell Property, save that in relation to services rendered to CCP by CCMPL, such consent shall not be unreasonably withheld; and

(iii) CCP shall procure a corporate guarantee from the Company in favour of Achwell Property to guarantee, *inter alia*, the performance of the terms and conditions by CCP under the Achwell JVA including but not limited to the completion of Project Capital City and the settlement of Achwell's Entitlement Sum.

In furtherance of the Achwell Supplemental Agreement, the Company will, after Completion, enter into a deed of guarantee in favour of Achwell Property to guarantee, among others, the repayment of all monies due and owing by CCP to Achwell Property under the Achwell JVA and the Achwell Supplemental Agreement and the completion of Project Capital City.

On 13 March 2017, in consideration of Achwell Property agreeing to enter into the Achwell Supplemental Agreement, AVL had provided the AVL Guarantee in favour of Achwell Property to guarantee, *inter alia*, the repayment of all monies due and owing by CCP to Achwell Property under the Achwell JVA and the Achwell Supplemental Agreement and the completion of Project Capital City.

On 13 March 2017, in consideration of Achwell Property agreeing to deliver to CCP the APSB Approval, AVL had provided the AVL Undertaking to undertake, *inter alia*, the following:

(1) AVL shall not sell, transfer, assign or create any encumbrances over the entire of its interests held in CCP, from the AVL Completion Date until (aa) the full settlement of Achwell's Entitlement Sum; or (bb) the expiry of a period of three (3) years commencing from the AVL Completion Date, whichever is earlier;

(2) AVL shall, within 30 days from the AVL Completion Date, obtain a corporate guarantee and letter of undertaking from the Company in favour of Achwell Property to guarantee, *inter alia*,

the performance of the terms and conditions by CCP under the Achwell JVA including but not limited to the completion of Project Capital City and the settlement of Achwell's Entitlement Sum; and

(3) AVL shall not charge CCP directly or indirectly any management fees (howsoever termed) or any other fees for services rendered or otherwise and CCP shall not make any payment to AVL, and AVL shall procure CCP to obtain within 30 days from the AVL Completion Date, a confirmation in writing from the Company and/or CCMPL not to charge CCP directly or indirectly any management fees (howsoever termed) or any other fees for services rendered or otherwise, unless with the written consent of Achwell Property, save that for charges for services rendered to CCP by CCMPL, such consent shall not be unreasonably withheld.

EHSB JVA

The discussion below provides a summary of the certain provisions of the EHSB JVA. This discussion is only a summary and is qualified by reference to the EHSB JVA.

CCV entered into the EHSB JVA with EHSB on 9 November 2016 for the proposed development and construction of an integrated development on the CCV Land Asset.

CCV shall pay to EHSB a sum equivalent to 18% of the gross development value of Project Austin up to a maximum sum of RM100,000,000 and a minimum sum of RM81,000,000 exclusive of goods and services tax ("**EHSB's Entitlement Sum**"). The EHSB's Entitlement Sum was arrived at commercially after a detailed evaluation of, *inter alia*, the project's expected profitability by CCV and negotiations with EHSB on a willing-buyer willing-seller basis.

EHSB has represented in the EHSB JVA that it has legal and beneficial title to the CCV Land Asset. In the event that EHSB is liable for misrepresentation in relation to the ownership of the CCV Land Asset which results in the development being made on land for which proper land titles have not been obtained, CCV is entitled to terminate the EHSB JVA and claim a refund of all monies paid by CCV to EHSB under the EHSB JVA, as well as take all such actions as may be necessary to claim damages or seek other remedies for any losses incurred arising out of the termination of the EHSB JVA. CCV shall also be indemnified by EHSB against any damage, claims or losses suffered by CCV arising from the termination of the EHSB JVA. Further, prior to entry into the EHSB JVA, CCV had conducted checks with, *inter alia*, the relevant land offices on land titles in respect of the CCV Land Asset to verify that EHSB is the owner of the CCV Land Asset.

EHSB grants sole and exclusive rights to CCV to undertake Project Austin at CCV's sole cost and expense. The paid-up capital of CCV shall be increased to a minimum sum of RM2,000,000 on or before the Commencement Date (as defined below).

The commencement date ("**Commencement Date**") of the EHSB JVA refers to the date of commencement of construction of the property determined by CCV and certified by its architect or engineer subject to CCV's receipt of the development order, the building plans and specifications, in any event, not later than 24 months from the date of the EHSB JVA.

The completion period for the completion of Project Austin is 60 months from the Commencement Date with an extension of 12 months upon expiry thereof.

Perak JVA

The discussion below provides a summary of the certain provisions of the Perak JVA. This discussion is only a summary and is qualified by reference to the Perak JVA.

CCF entered into the Perak JVA with PESB and MTSB on 7 December 2016 for the proposed development and construction of an integrated development on the CCF Land Asset.

The CCF Land Asset consisting of the five (5) pieces of land registered in the name of PESB are set out in Section 2.1 entitled "Sale and purchase agreements CCF" of this Circular. The remainder of the CCF Land Asset consisting of the 238 pieces of land registered in the name of MTSB are as follows:

H.S.(D) 19195, PT 16990	H.S.(D) 19194, PT 16989	H.S.(D) 19193, PT 16988	H.S.(D) 19192, PT 16987	H.S.(D) 19191, PT 16986	H.S.(D) 19190, PT 16985
H.S.(D) 19189, PT 16984	H.S.(D) 19188, PT 16983	H.S.(D) 19187, PT 16982	H.S.(D) 19186, PT 16981	H.S.(D) 19185, PT 16980	H.S.(D) 19184, PT 16979
H.S.(D) 19183, PT 16978	H.S.(D) 19182, PT 16977	H.S.(D) 19181, PT 16976	H.S.(D) 19180, PT 16975	H.S.(D) 19179, PT 16974	H.S.(D) 19178, PT 16973
H.S.(D) 19177, PT 16972	H.S.(D) 19176, PT 16971	H.S.(D) 19175, PT 16970	H.S.(D) 19174, PT 16969	H.S.(D) 19173, PT 16968	H.S.(D) 19172, PT 16967
H.S.(D) 19171, PT 16966	H.S.(D) 19170, PT 16965	H.S.(D) 19169, PT 16964	H.S.(D) 19168, PT 16963	H.S.(D) 19167, PT 16962	H.S.(D) 19166, PT 16961
H.S.(D) 19165, PT 16960	H.S.(D) 19164, PT 16959	H.S.(D) 19163, PT 16958	H.S.(D) 19162, PT 16957	H.S.(D) 19161, PT 16956	H.S.(D) 19160, PT 16955
H.S.(D) 19159, PT 16954	H.S.(D) 19158, PT 16953	H.S.(D) 19157, PT 16952	H.S.(D) 19156, PT 16951	H.S.(D) 19155, PT 16950	H.S.(D) 19154, PT 16949
H.S.(D) 19153, PT 16948	H.S.(D) 19152, PT 16947	H.S.(D) 19151, PT 16946	H.S.(D) 19150, PT 16945	H.S.(D) 19149, PT 16944	H.S.(D) 19148, PT 16943
H.S.(D) 19147, PT 16942	H.S.(D) 19146, PT 16941	H.S.(D) 19145, PT 16940	H.S.(D) 19144, PT 16939	H.S.(D) 19143, PT 16938	H.S.(D) 19142, PT 16937
H.S.(D) 19141, PT 16936	H.S.(D) 19140, PT 16935	H.S.(D) 19139, PT 16934	H.S.(D) 19138, PT 16933	H.S.(D) 19137, PT 16932	H.S.(D) 19136, PT 16931
H.S.(D) 19135, PT 16930	H.S.(D) 19134, PT 16929	H.S.(D) 19133, PT 16928	H.S.(D) 19132, PT 16927	H.S.(D) 19131, PT 16926	H.S.(D) 19130, PT 16925
H.S.(D) 19129, PT 16924	H.S.(D) 19128, PT 16923	H.S.(D) 19127, PT 16922	H.S.(D) 19126, PT 16921	H.S.(D) 19125, PT 16920	H.S.(D) 19124, PT 16919
H.S.(D) 19123, PT 16918	H.S.(D) 19122, PT 16917	H.S.(D) 19121, PT 16916	H.S.(D) 19120, PT 16915	H.S.(D) 19119, PT 16914	H.S.(D) 19118, PT 16913
H.S.(D) 19117, PT 16912	H.S.(D) 19116, PT 16911	H.S.(D) 19115, PT 16910	H.S.(D) 19114, PT 16909	H.S.(D) 19113, PT 16908	H.S.(D) 19112, PT 16907
H.S.(D) 19111, PT 16906	H.S.(D) 19110, PT 16905	H.S.(D) 19109, PT 16904	H.S.(D) 19108, PT 16903	H.S.(D) 19107, PT 16902	H.S.(D) 19106, PT 16901
H.S.(D) 19105, PT 16900	H.S.(D) 19104, PT 16899	H.S.(D) 19103, PT 16898	H.S.(D) 19102, PT 16897	H.S.(D) 19101, PT 16896	H.S.(D) 19100, PT 16895
H.S.(D) 19099, PT 16894	H.S.(D) 19098, PT 16893	H.S.(D) 19097, PT 16892	H.S.(D) 19096, PT 16891	H.S.(D) 19095, PT 16890	H.S.(D) 19094, PT 16889

H.S.(D) 19093, PT 16888	H.S.(D) 19092, PT 16887	H.S.(D) 19091, PT 16886	H.S.(D) 19090, PT 16885	H.S.(D) 19089, PT 16884	H.S.(D) 19088, PT 16883
H.S.(D) 19087, PT 16882	H.S.(D) 19086, PT 16881	H.S.(D) 19085, PT 16880	H.S.(D) 19084, PT 16879	H.S.(D) 19083, PT 16878	H.S.(D) 19082, PT 16877
PN 232687, Lot 11091	H.S.(D) 19080, PT 16875	H.S.(D) 19079, PT 16874	H.S.(D) 19078, PT 16873	H.S.(D) 19077, PT 16872	H.S.(D) 19076, PT 16871
H.S.(D) 19075, PT 16870	H.S.(D) 19074, PT 16869	H.S.(D) 19073, PT 16868	H.S.(D) 19072, PT 16867	H.S.(D) 19071, PT 16866	H.S.(D) 19070, PT 16865
H.S.(D) 19069, PT 16864	H.S.(D) 19068, PT 16863	H.S.(D) 19067, PT 16862	H.S.(D) 19066, PT 16861	H.S.(D) 19065, PT 16860	H.S.(D) 19064, PT 16859
PN 232669, Lot 11073	PN 232668, Lot 11072	H.S.(D) 19061, PT 16856	H.S.(D) 19060, PT 16855	H.S.(D) 19059, PT 16854	H.S.(D) 19058, PT 16853
H.S.(D) 19057, PT 16852	H.S.(D) 19056, PT 16851	H.S.(D) 19055, PT 16850	H.S.(D) 19054, PT 16849	H.S.(D) 19053, PT 16848	H.S.(D) 19052, PT 16847
H.S.(D) 19051, PT 16846	H.S.(D) 19050, PT 16845	H.S.(D) 19049, PT 16844	H.S.(D) 19048, PT 16843	H.S.(D) 19047, PT 16842	H.S.(D) 19046, PT 16841
H.S.(D) 19045, PT 16840	H.S.(D) 19044, PT 16839	H.S.(D) 19043, PT 16838	H.S.(D) 19042, PT 16837	H.S.(D) 19041, PT 16836	H.S.(D) 19040, PT 16835
PN 232645, Lot 11049	PN 232644, Lot 11048	H.S.(D) 19037, PT 16832	H.S.(D) 19036, PT 16831	H.S.(D) 19035, PT 16830	H.S.(D) 19034, PT 16829
H.S.(D) 19033, PT 16828	H.S.(D) 19032, PT 16827	H.S.(D) 19031, PT 16826	H.S.(D) 19030, PT 16825	H.S.(D) 19029, PT 16824	H.S.(D) 19028, PT 16823
H.S.(D) 19027, PT 16822	H.S.(D) 19026, PT 16821	H.S.(D) 19025, PT 16820	H.S.(D) 19024, PT 16819	H.S.(D) 19023, PT 16818	H.S.(D) 19022, PT 16817
H.S.(D) 19021, PT 16816	H.S.(D) 19020, PT 16815	H.S.(D) 19019, PT 16814	H.S.(D) 19018, PT 16813	H.S.(D) 19017, PT 16812	H.S.(D) 19016, PT 16811
H.S.(D) 19015, PT 16810	H.S.(D) 19014, PT 16809	H.S.(D) 19013, PT 16808	H.S.(D) 19012, PT 16807	H.S.(D) 19011, PT 16806	H.S.(D) 19010, PT 16805
PN 232566, Lot 11019	PN 232565, Lot 11018	H.S.(D) 19007, PT 16802	H.S.(D) 19006, PT 16801	H.S.(D) 19005, PT 16800	H.S.(D) 19004, PT 16799
H.S.(D) 19003, PT 16798	H.S.(D) 19002, PT 16797	H.S.(D) 19001, PT 16796	H.S.(D) 19000, PT 16795	H.S.(D) 18999, PT 16794	H.S.(D) 18998, PT 16793
H.S.(D) 18997, PT 16792	H.S.(D) 18996, PT 16791	H.S.(D) 18995, PT 16790	H.S.(D) 18994, PT 16789	H.S.(D) 18993, PT 16788	H.S.(D) 18992, PT 16787
H.S.(D) 18991, PT 16786	H.S.(D) 18990, PT 16785	H.S.(D) 18989, PT 16784	H.S.(D) 18988, PT 16783	H.S.(D) 18987, PT 16782	H.S.(D) 18986, PT 16781
H.S.(D) 18985, PT 16780	H.S.(D) 18984, PT 16779	H.S.(D) 18983, PT 16778	PN 232535, Lot 10992	PN 232532, Lot 10991	H.S.(D) 18980, PT 16775
H.S.(D) 18979, PT 16774	H.S.(D) 18978, PT 16773	H.S.(D) 18977, PT 16772,	H.S.(D) 18976, PT 16771	H.S.(D) 18975, PT 16770	H.S.(D) 18974, PT 16769
H.S.(D) 18973, PT 16768	H.S.(D) 18972, PT 16767	H.S.(D) 18971, PT 16766	H.S.(D) 18970, PT 16765	H.S.(D) 18969, PT 16764	H.S.(D) 18968, PT 16763
H.S.(D) 18967, PT 16762	H.S.(D) 18966, PT 16761	H.S.(D) 18965, PT 16760	H.S.(D) 18964, PT 16759	H.S.(D) 18963, PT 16758	H.S.(D) 18962, PT 16757
H.S.(D) 18961, PT 16756	H.S.(D) 18960, PT 16755		H.S.(D) 18959, PT 16754	PN 232473, Lot 10968	

CCF shall, upon the relevant approvals being obtained from the authorities, proceed with the construction of the commercial and/or residential units within Project Sitiawan Wellness Hub and further undertakes to complete Project Sitiawan Wellness Hub within 10 years from the date on which the last of the relevant approvals shall have been obtained for Project Sitiawan Wellness Hub. If Project Sitiawan Wellness Hub is certified by the architect and engineer to be delayed by force majeure, then PESB and MTSB as landowners shall allow a fair and reasonable extension to CCF to complete Project Sitiawan Wellness Hub and the costs arising from such delay shall be borne by CCF.

PESB and MTSB (as the "**Landowners**") shall be entitled to a total sum of RM70,000,000 ("**Landowner's Entitlement Sum**"). The Landowners' Entitlement Sum was arrived at commercially after a detailed evaluation of, *inter alia*, the project's expected profitability by CCF and negotiations with the Landowners on a willing-buyer willing-seller basis.

The Landowners have represented in the Perak JVA that they have legal and beneficial title to the CCF Land Asset. In the event that the Landowners are liable for misrepresentation in relation to the ownership of the CCF Land Asset which results in the development being made on land for which proper land titles have not been obtained, CCF is entitled under common law to terminate the Perak JVA and claim damages or seek other remedies for any losses incurred arising out of the termination of the Perak JVA. Further, prior to entry into the Perak JVA, CCF had conducted checks with, *inter alia*, relevant land offices on samples of the land titles and had sighted all of the land titles in respect of the CCF Land Asset to verify that PESB and MTSB are the owners of the PESB Land and the MTSB Land respectively.

The Perak JVA may be terminated by the Landowners if the effective or beneficial ownership or control of substantial shareholding (defined as more than 50.0% in CCF) is changed without the prior written consent of the Landowners (the consent of which shall not be unreasonably withheld).

Management Agreement

The discussion below provides a summary of the certain provisions of the Management Agreement. This discussion is only a summary and is qualified by reference to the Management Agreement.

CCP and Hilton Worldwide had, on 19 March 2015, entered into the Management Agreement for the provision of certain development services and for the appointment of Hilton Worldwide to manage the operation of the Hotel under the focused service/mid-scale brand for "Hilton Garden Inn" hotels and resorts operating under the system elements designated by Hilton Worldwide or its affiliates upon the terms and conditions set out in the Management Agreement.

The operating term ("**Operating Term**") shall commence on the Opening Date (as defined in the Management Agreement) and expire, subject to any extension, at midnight on 31 December of the 15th full calendar year. The initial Operating Term may be extended for up to two (2) successive periods of 10 calendar years each based on mutual agreement between CCP and Hilton Worldwide.

Malaysia

The property development sector in Malaysia is governed on three (3) levels – the federal government, the state government and the local government. The federal government issues legislation governing property development activities such as environmental protection, issuance of developer's licences and formulation of national housing policies, whereas the state governments have sole jurisdiction over land issues, covering issuance of land titles, conversions of land usage and subdivision of land in their respective states. The local government approves building plans and oversees matters pertaining to administrations and maintenance, namely building inspection, and provision of maintenance services for infrastructure such as roads, pedestrian walkways, street lighting and refuse disposal. The property development activities in Malaysia are governed by, amongst others, the following legislation:

- Land Acquisition Act 1960
- Land Conservation Act 1960
- Malay Reservation Enactments
- National Land Code 1965
- Strata Titles Act 1985
- Street, Drainage and Building Act 1974
- Town and Country Planning Act 1976
- Uniform Building by-laws 1984

The following is a non-exhaustive illustration of the laws and regulations governing and affecting the property development sector in Malaysia:

Uniform By-Laws of the Street, Drainage and Building Act 1974

The Uniform By-Laws of the Street, Drainage and Building Act 1974 makes it mandatory for property developers or building constructors to obtain a Certificate of Completion and Compliance ("**CCC**") upon successful completion of a project. The CCC certifies that the building is fit for occupation and is issued by a professional who is registered with the respective professional body in Malaysia, which may be the engineer, architect or draftsman involved in the project. The CCC replaced the Certificate of Fitness for Occupation scheme in 2007 where previously the issuing body was the local government and not the private sector.

Real property gains tax

RPGT is charged on gains arising from the disposal of real property in Malaysia. The charge is also applicable to interest, options or other rights over such properties, as well as disposal of shares in real estate companies. Gains from the chargeable activities are taxed up to 30.0%, depending on the holding period of the properties.

Please refer to Section 29.4(c) entitled "Gains on disposal of shares in a Malaysian company" of this Circular for further details on the current rates of RPGT.

Stamp duty

In addition, property purchases are liable to a stamp duty of up to 3.0%. Valuation of the stamp duty is charged on the instrument of transfer, where the rates of the stamp duty are as follows:

(a) 1.0% for the first RM100,000;

(b) 2.0% for the next amount in excess of RM100,000 but not more than RM500,000;

(c) 3.0% for the next amount in excess of RM500,000

In the recent Malaysian Budget 2017 announcement, it is proposed by the Malaysian government that the rate of stamp duty for property purchases on the amount in excess of RM1,000,000 is to be increased to 4.0%.

In furtherance of the announcement by the Malaysian government on Malaysia's Budget 2015, first-time Malaysian citizen house buyers were entitled to 50.0% exemption of stamp duty for an instrument of transfer executed between 1 January 2015 and 31 December 2016 for the purchase of one unit of residential property costing no more than RM500,000 and also the stamp duty on the loan agreements to finance the said property.

In addition, the Malaysian Budget 2017 proposes that first-time Malaysian citizen house buyers will continue to enjoy stamp duty exemption based on the following rates:

Price of property purchased	**Stamp duty exemption**	**Effective date**
Less than RM300,000	100% stamp duty exemption on the instrument of transfer and loan agreement	For sale and purchase agreements executed from 1 January 2017 until 31 December 2018
Exceeding RM300,000 up to RM500,000	100% stamp duty exemption on the instrument of transfer and loan agreement, on the first RM300,000 of the value of the house. The remaining balance of the value of the house is subject to prevailing stamp duty rates	

Guidelines on responsible financing

In 2010, guidelines on responsible financing were issued to financial institutions across the country. Part of the objectives of the guidelines is to curb national household indebtedness and to promote a sound and sustainable household sector. Under this guideline, the loan-to-value ("**LTV**") ratio for the third housing loan onwards is capped at 70.0% of the property value. Financial institutions are required to increase risk weights for housing loans with LTV of more than 90.0% on personal financing with tenure of more than five (5) years. Excessive investment and speculative activities in property industry in Malaysia is expected to be moderated with the new guidelines. Under such guidelines, home loans are now controlled and are based on the individual's net salary instead of gross salary.

To complement the above measures, BNM had further announced a new ruling in July 2013 that the maximum tenure for personal use financing is 10 years, while the maximum tenure for the financing of residential and non-residential properties is capped at 35 years.

LTV Ratio

In a circular sent to banks and financial institutions on 15 November 2013, BNM requires banks to give out housing loans based on net selling price, which excludes rebates and discounts, rather than on gross selling price. Prior to the ruling, banks relied on the sale and purchase value in calculating the LTV. The circular also placed the emphasis for banks to have sound policies and procedures to ensure valuation of properties is reasonable.

Restriction on foreign ownership

The Malaysia government has imposed a minimum price for properties that can be purchased by foreigners. In the Malaysia's Budget 2014, which was unveiled in October 2013, such minimum price was increased from RM500,000 to RM1,000,000.

In relation to the state of Johor, the Johor Land and Mineral Office issued a circular dated 18 February 2014 which became effective on 1 May 2014, stating the minimum price for properties that can be purchased by foreigners is RM1,000,000.

Property vendors may, on a case by case basis, apply for a waiver from the Johor Land and Mineral Office to lower the minimum price for properties that can be purchased by foreigners.

Further, a developer for housing development is also subject to additional regulations, including those under the HDA and the Housing Development (Control and Licensing Regulations 1989). While CCP has not commenced the development of the Serviced Apartments (which will fall within the definition of housing accommodation under Section 3 of the HDA) as at the Latest Practicable Date, it will be required to be licensed prior to the commencement of any construction work or sale on the Serviced Apartments and accordingly the laws and regulations governing and affecting the housing development sector in Malaysia is relevant to the Capital City Group:

Housing Development (Control and Licensing) Act 1966

The main legislation governing housing development in Malaysia is the HDA, which came into force on 29 August 1969. Apart from the HDA, two pieces of subsidiary legislation, namely, the Housing Development (Control and Licensing) Regulations 1989 ("**Regulations 89**") and Housing Development (Housing Development Account) Regulations 1991 ("**Regulations 91**"), have also been enacted.

Section 3 of the HDA defines housing development to mean to develop or construct or cause to be constructed in any manner whatsoever more than four (4) units of housing accommodation and includes the collection of money or the carrying on of any building operations for the purpose of erecting housing accommodation in, on, over or under any land or the sale of more than four (4) lots of land or building lots with the view of constructing more than four (4) units of housing accommodation. As such, construction of four (4) units of housing accommodation or less would not be subject to the governance of the HDA. Likewise, commercial or industrial construction projects do not fall within the purview of the same.

Pursuant to Section 5 of the HDA, every developer must be in the possession of a valid licence prior to the commencement of any development project. The HDA imposes conditions which must be complied with prior to the submission of an application for a developer's licence. Under Section 6 of the HDA, a development company must, amongst others, prior to the approval of a licence:

(a) have an issued and paid-up capital in cash of not less than RM250,000 and make a deposit of a sum equivalent to 3% of the estimated cost of construction as certified by an architect in charge of the housing development in cash or in such other form as the Minister of Housing and Local Government may determine, with the Controller of Housing;

(b) ensure that none of the company's directors, managers and secretaries has been convicted of an offence involving fraud or dishonesty or is an undischarged bankrupt;

(c) ensure that none of the company's directors, managers and secretaries has, due to a conviction for an offence under the HDA, been sentenced to a fine exceeding RM10,000 or to imprisonment (other than imprisonment in default of a fine not exceeding RM10,000);

(d) ensure that none of the company's directors or any person in the company directly concerned in the management of the business of the company has been a director of or has been directly concerned in the management of a housing development company that has since been wound up by a court order; and

(e) ensure that the registration of the company's architects or engineers has been not cancelled under the laws governing the profession at the time of the application.

Section 7 of the HDA further imposes a certain set of duties upon licensed developers in order to ensure that the developers conduct their business within a certain set of parameters.

The contract of sale for each housing development is subject to the provisions of Regulations 89. It is mandatory that developers adopt the prescribed form provided in Regulations 89. The form prescribed in Schedule G to Regulations 89 is used when there is a contract of sale of a housing accommodation together with a subdivisional portion of land while the form prescribed in Schedule H to Regulations 89 is used where the contract of sale is for the sale and purchase of a housing accommodation in a subdivided building. Schedule G and Schedule H to Regulations 89 also provide a fixed schedule of payment which end buyers are subject to.

By virtue of Section 7A of the HDA, every licensed housing developer shall open and maintain a Housing Development Account ("**HD Account**"). All monies received from the sale of the units shall be deposited in the HD Account. This sum of money shall remain in the account and any withdrawal shall be in accordance with the provisions of Regulations 91.

TERRATECH GROUP LIMITED

(Incorporated in the Cayman Islands on 15 March 2013)
(Company Registration Number: CT-276295)

NOTICE OF EXTRAORDINARY GENERAL MEETING

*Unless otherwise defined or the context otherwise requires, all capitalised terms herein shall bear the same meaning ascribed to them in the circular dated 29 March 2017 issued by the Company (the "**Circular**").*

NOTICE IS HEREBY GIVEN ("**Notice**") that an extraordinary general meeting ("**EGM**") of **TERRATECH GROUP LIMITED** (the "**Company**") will be held at 31 Changi South Avenue 2, Singapore 486478 on 21 April 2017 at 9.00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendment(s), the following resolutions:

AS ORDINARY RESOLUTIONS

Ordinary Resolution 1: The Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition

THAT contingent upon the passing of the Ordinary Resolutions 2, 3, 4, 5, 6, 7 and 8 in this Notice:

(a) approval be and is hereby given to the Company for the acquisition by the Company of Altimate Ventures Limited (the "**Proposed AVL Acquisition**") at a consideration of S$300,000,000 and on the terms and subject to the conditions set out in the amending and restatement deed dated 6 January 2017 amending and restating the sale and purchase agreement dated 9 June 2016 entered into between the Company, Mr. Siow Chien Fu, Mr. Tan June Teng Colin @ Chen Junting and Mr. Tan Ping Huang Edwin @ Chen Binghuang;

(b) approval be and is hereby given to the Company for the acquisition by the Company of Rise Expedition Global Limited (the "**Proposed REGL Acquisition**") at a consideration of US$200 and on the terms and subject to the conditions set out in the sale and purchase agreement dated 6 January 2017 entered into between the Company, Mr. Siow Chien Fu and Mr. Tham Kok Peng;

(c) approval be and is hereby given to the Company for the acquisition by the Company of First Star Ventures Limited (the "**Proposed FSVL Acquisition**") at a consideration of US$200 and on the terms and subject to the conditions set out in the sale and purchase agreement dated 6 January 2017 entered into between the Company, Mr. Siow Chien Fu and Mr. Tham Kok Peng; and

(d) the directors of the Company ("**Directors**") or any of them be and are hereby authorised and empowered to complete and do all such acts and things (including without limitation, to execute all such documents as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they may consider necessary, desirable or expedient to give effect to the matters contemplated by this Ordinary Resolution 1.

Ordinary Resolution 2: Proposed Share Issue

THAT contingent upon the passing of the Ordinary Resolutions 1, 3, 4, 5, 6, 7 and 8 in this Notice and pursuant to Article 12(1) of the Articles of Association and Rule 806 of the Catalist Rules:

(a) the Directors be hereby authorised to allot and issue, after the passing and completion of Ordinary Resolutions 5 and 6 in relation to the Proposed Increase in Authorised Share Capital and the Proposed Share Consolidation respectively:

(i) an aggregate of 1,071,428,569 new Consolidated Shares in the share capital of the Company at an issue price of S$0.28 each in satisfaction of the AVL Consideration for the Proposed AVL Acquisition; and

(ii) up to 26,000,000 new Consolidated Shares ("**New Placement Shares**") in the share capital of the Company for the purpose of meeting the shareholding distribution requirements of the Catalist Rules at the price to be determined subject to the prevailing market conditions at the time of the placement, but shall not be less than S$0.20 each on such terms and subject to such conditions that the Directors may agree. The final price is to be determined and confirmed by the Directors at their absolute discretion after taking into consideration, *inter alia*, prevailing market conditions; and

(b) the Directors or any of them be and are hereby authorised and empowered to complete and do all such acts and things (including without limitation, to execute all such documents as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they may consider necessary, desirable or expedient to give effect to the matters contemplated by this Ordinary Resolution 2.

Ordinary Resolution 3: Siow Whitewash Resolution

THAT contingent upon the passing of the Ordinary Resolutions 1, 2, 4, 5, 6, 7 and 8 in this Notice and pursuant to the letter dated 13 March 2017 from the Securities Industry Council, the Shareholders of the Company other than Mr. Siow Chien Fu, parties acting in concert with him and parties not independent of him hereby resolve unconditionally and irrevocably to waive their rights under Rule 14 of the Singapore Code on Take-overs and Mergers to receive a mandatory general offer from Mr. Siow Chien Fu and his concert parties for all the shares in the capital of the Company in issue not already owned, controlled or agreed to be acquired by Mr. Siow Chien Fu and his concert parties as a result of the Proposed AVL Acquisition.

Ordinary Resolution 4: Tan Concert Parties Whitewash Resolution

THAT contingent upon the passing of the Ordinary Resolutions 1, 2, 3, 5, 6, 7 and 8 in this Notice and pursuant to the letter dated 13 March 2017 from the Securities Industry Council, the Shareholders of the Company other than Mr. Tan June Teng Colin @ Chen Junting and Mr. Tan Ping Huang Edwin @ Chen Binghuang ("**Tan Concert Parties**"), parties acting in concert with the Tan Concert Parties and parties not independent of the Tan Concert Parties hereby resolve unconditionally and irrevocably to waive their rights under Rule 14 of the Singapore Code on Take-overs and Mergers to receive a mandatory general offer from the Tan Concert Parties and their concert parties for all the shares in the capital of the Company in issue not already owned, controlled or agreed to be acquired by the Tan Concert Parties and their concert parties as a result of the Proposed AVL Acquisition.

Ordinary Resolution 5: Proposed Increase in Authorised Share Capital

THAT contingent upon the passing of the Ordinary Resolutions 1, 2, 3, 4, 6, 7 and 8 in this Notice, approval be and is hereby given for the authorised share capital of the Company to be increased from S$10,000,000 divided into 1,000,000,000 ordinary shares of a nominal or par value of S$0.01 each to S$100,000,000 divided into 10,000,000,000 ordinary shares of a nominal or par value of S$0.01 each.

Ordinary Resolution 6: Proposed Share Consolidation

THAT contingent upon the passing of the Ordinary Resolutions 1, 2, 3, 4, 5, 7 and 8 in this Notice:

(a) approval be and is hereby given for the consolidation of every four (4) issued and unissued existing ordinary shares of a nominal or par value of S$0.01 each in the capital of the Company into one (1) Consolidated Share of a nominal or par value of S$0.04 each in the capital of the Company; and

(b) following the consolidation as described in paragraph (a) above, the Directors be and are hereby authorised to do all such acts and things as they may consider necessary or expedient in connection with the share consolidation, including but not limited to disregarding fractional entitlements, issuing new share certificates in respect of the Consolidated Shares in issue and making arrangements for the settlement and disposal of fractional entitlements, if any, arising from or in connection therewith and in particular (but without prejudice to the generality of the foregoing), but aggregating any fractional entitlements arising as a result thereof and selling the same for the benefit of the Company in such manner and on such terms as the Directors may think fit and/or purchasing any fractional entitlements in such manner and on such terms as the Directors may think fit for the benefit of the Company.

Ordinary Resolution 7: Proposed Diversification of Core Business

THAT contingent upon the passing of the Ordinary Resolutions 1, 2, 3, 4, 5, 6 and 8 in this Notice, approval be and is hereby given for the proposed diversification of the Company and its subsidiaries' existing core business to include the Business of the Capital City Group; and the Directors or any of them be and are hereby authorised and empowered to complete and do all such acts and things (including without limitation, to execute all such documents as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they may consider necessary, desirable or expedient to give effect to the matters contemplated by this Ordinary Resolution 7.

Ordinary Resolution 8: Proposed Appointment of Mr. Siow Chien Fu as Director

THAT contingent upon the passing of the Ordinary Resolutions 1, 2, 3, 4, 5, 6 and 7 in this Notice, Mr. Siow Chien Fu be appointed as director of the Company with effect from completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition.

Ordinary Resolution 9: Proposed Appointment of Mr. Tham Kok Peng as Director

THAT contingent upon the passing of the Ordinary Resolutions 1, 2, 3, 4, 5, 6, 7 and 8 in this Notice, Mr. Tham Kok Peng be appointed as director of the Company with effect from completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition.

Ordinary Resolution 10: Proposed Appointment of Mr. Tan Eng Kiat Dominic as Director

THAT contingent upon the passing of the Ordinary Resolutions 1, 2, 3, 4, 5, 6, 7 and 8 in this Notice, Mr. Tan Eng Kiat Dominic be appointed as director of the Company with effect from completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition.

Ordinary Resolution 11: Proposed Appointment of Mr. Lye Thiam Fatt Joseph Victor as Director

THAT contingent upon the passing of the Ordinary Resolutions 1, 2, 3, 4, 5, 6, 7 and 8 in this Notice, Mr. Lye Thiam Fatt Joseph Victor be appointed as director of the Company with effect from completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition.

Ordinary Resolution 12: Proposed Share Issue Mandate

THAT contingent upon the passing of the Ordinary Resolutions 1, 2, 3, 4, 5, 6, 7 and 8 in this Notice:

(a) approval be and is hereby given, pursuant to Article 12(3) of the Articles of Association and Rule 806 of the Catalist Rules, to the Directors to allot and issue shares in the capital of the Company (whether by way of rights issue, bonus issue or otherwise) and/or make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other Instruments convertible into shares, at any time and upon such terms and conditions, and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of new shares to be issued pursuant to such authority shall not exceed 100.0% of the then-existing issued share capital of the Company, and that the aggregate number of shares to be issued other than on a pro-rata basis to the then existing Shareholders shall not exceed 50.0% of the then-existing issued share capital of the Company, and, unless revoked or varied by the Shareholders in general meeting, such authority shall continue in full force until the conclusion of the next annual general meeting or the date by which the next annual general meeting is required by law to be held, whichever is earlier. For the purposes of this resolution, the "then-existing issued share capital" shall mean the enlarged share capital (excluding treasury shares) after the Proposed Increase in Authorised Share Capital, the Proposed Share Consolidation, the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, the allotment and issuance of the Consideration Shares and the Proposed Compliance Placement; and

(b) the Directors or any of them be and are hereby authorised and empowered to complete and do all such acts and things (including without limitation, to execute all such documents as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they may consider necessary, desirable or expedient to give effect to the matters contemplated by this Ordinary Resolution 12.

As Special Resolution

Special Resolution 1: Proposed Change of Name

That contingent upon the passing of the Ordinary Resolutions 1, 2, 3, 4, 5, 6, 7 and 8 in this Notice and with effect from a date on or after completion of the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition as the Directors may determine:

(a) the name of the Company be changed to "**Capital World Limited**" and that the name "**Capital World Limited**" shall be substituted for "**Terratech Group Limited**", wherever the latter name appears in the Company's Memorandum and Articles of Association; and

(b) the Directors or any of them be and are hereby authorised and empowered to complete and do all such acts and things (including without limitation, to execute all such documents as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they may consider necessary, desirable or expedient to give effect to the matters contemplated by this Special Resolution 1.

Shareholders should note that:

(a) **the Key Resolutions are inter-conditional. This means that if any one of the Ordinary Resolution 1 relating to the Proposed AVL Acquisition, the Proposed REGL Acquisition and the Proposed FSVL Acquisition, Ordinary Resolution 2 relating to the Proposed Share Issue, Ordinary Resolution 3 relating to the Siow Whitewash Resolution, Ordinary Resolution 4 relating to the Tan Concert Parties Whitewash Resolution, Ordinary Resolution 5 relating to the Proposed Increase in Authorised Share Capital, Ordinary Resolution 6 relating to the Proposed Share Consolidation, Ordinary Resolution 7 relating to the Proposed Diversification of Core Business and Ordinary Resolution 8 relating to the proposed appointment of Mr. Siow as Proposed Director are not approved, the other Key Resolutions will not be duly passed;**

(b) **Ordinary Resolution 9 relating to the proposed appointment of Mr. Tham as Proposed Director, Ordinary Resolution 10 relating to the proposed appointment of Mr. Dominic Tan as Proposed Director, Ordinary Resolution 11 relating to the proposed appointment of Mr. Victor Lye as Proposed Director and Ordinary Resolution 12 relating to the Proposed Share Issue Mandate are conditional upon the passing of the Key Resolutions; and**

(c) **Special Resolution 1 relating to the Proposed Change of Name is conditional upon the passing of the Key Resolutions.**

By Order of the Board

Lee Pih Peng
Company Secretary
Singapore
29 March 2017

Notes:

1. A member entitled to attend and vote at the extraordinary general meeting of the Company (the "**Meeting**") and who holds two (2) or more Shares is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. Such member should complete, sign and return the Shareholder Proxy Form in accordance with the instructions printed therein as soon as possible and, in any event, so as to arrive at the office of the Company's Singapore share transfer agent Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 48 hours before the time fixed for the Meeting. The appointment of a proxy by a member does not preclude him from attending and voting in person at the Meeting if he so wishes in place of the proxy. For the avoidance of doubt, the Shareholder Proxy Form should not be used by depositors ("**Depositors**"). Depositors who wish to attend and vote at the Meeting should refer to paragraphs 2 and 3 below.

2. A Depositor (other than Depositors which are corporations) holding Shares through the CDP and whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act of Singapore) not earlier than 48 hours prior to the time fixed for the meeting who wishes to attend and vote at the Meeting may do so as CDP's proxy without having to complete or return any form of proxy.

3. (i) A Depositor which is a corporation and who wishes to attend and vote at the Meeting or (ii) an individual Depositor who is unable to attend the Meeting personally and wishes to appoint person(s) to attend the meeting and vote on his behalf, should complete sign and return the Depositor Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive the office of the Company's Singapore share transfer agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 48 hours before the time fixed for the Meeting.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

CAPITAL World



Project Capital City



Project Austin



Project Sitiawan Wellness Hub

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