The unaudited financial information for the third quarter and nine months ended 31 March 2017 of Capital City Group are presented herein for information only and should be read in conjunction and entirety with Terratech Group Limited's ("Terratech") unaudited consolidated full year financial statements ended 31 March 2017 as announced separately.

The Capital City Group (the "Group") shall have the same meaning ascribed to them in the Terratech's circular to shareholders dated 29 March 2017.

UNAUDITED FINANCIAL INFORMATION OF CAPITAL CITY GROUP FOR THE THIRD QUARTER AND NINE MONTHS ENDED 31 MARCH 2017

1. Statement of comprehensive income

	Group			Group		
	Three months ended 31 March			Nine months ended 31 March		
	2017 (unaudited) RM'000	2016 (unaudited) RM'000	Change %	2017 (unaudited) RM'000	2016 (unaudited) RM'000	Change %
Revenue	74,625	21,169	253	120,282	69,879	72
Cost of sales	(19,538)	(5,190)	276	(27,713)	(16,339)	70
Gross profit	55,087	15,979	245	92,569	53,540	73
Other income	215	524	(59)	706	885	(20)
Selling and distribution expenses	(3,004)	(1,324)	127	(6,178)	(3,836)	61
General and administrative expenses	(1,524)	(1,043)	46	(4,518)	(2,736)	65
Finance costs	(2)	(2)	-	(4)	(6)	(33)
Profit before tax	50,772	14,134	259	82,575	47,847	73
Income tax expense	(12,370)	(3,440)	260	(20,314)	(11,520)	76
Profit after tax	38,402	10,694	259	62,261	36,327	71
Other comprenhensive income:						
Items that are or may be reclassified subsequently to profit or loss:						
Exchange differences arising from translation of foreign operations	(10)	-	NM	(17)	-	NM
Total comprehensive income for the period	38,392	10,694	259%	62,244	36,327	71%

NM: Denotes not meaningful

2. Statement of financial position

	Group	
	As at 31.03.17	As at 30.06.16
	(unaudited)	(audited)
	RM'000	RM'000
Current assets		
Inventory properties	179,475	148,805
Deferred expenditure	10,729	9,331
Trade receivables	48,786	12,218
Other receivables and prepayments	3,278	5,966
Cash and bank balances	16,965	14,081
	259,233	190,401
Non-current assets		
Property, plant and equipment	82,552	65,272
Inventory properties	95,497	83,645
Investment property under construction	133,841	124,946
Deferred expenditure	-	2,540
	311,890	276,403
Total assets	571,123	466,804
Current liabilities		
Hire purchase payables	46	48
Trade payables	108,456	85,988
Other payables and accruals	23,283	20,066
Deferred revenue	186,420	157,744
Provision for taxation	16,228	4,355
	334,433	268,201
Non-current liabilities		
Hire purchase payables	50	83
Trade payables	125,874	149,941
Deferred tax liabilities	2,811	2,870
	128,735	152,894
Equity		
Share capital	5,002	5,000
Reserves	102,953	40,709
Total equity	107,955	45,709
Total liabilities and equity	571,123	466,804

3. Statement of cash flows

	Group Three months ended		Group Nine months ended	
	31.03.17 (unaudited) RM'000	31.03.16 (unaudited) RM'000	31.03.17 (unaudited) RM'000	31.03.16 (unaudited) RM'000
Cash flows from operating activities				
Profit before tax	50,772	14,134	82,575	47,847
Adjustments for:				
Depreciation of property, plant and equipment	56	63	182	187
Deferred expenditure amortised	2,627	702	4,140	2,366
Interest income	(161)	(104)	(399)	(315)
Interest expense	2	2	4	6
Operating cash flows before changes in working capital	53,296	14,797	86,502	50,091
Changes in working capital:				
Inventory properties	(20,478)	(15,371)	(42,521)	(78,801)
Deferred expenditure	(921)	(823)	(2,998)	(2,985)
Trade and other receivables	(12,503)	7,410	(33,879)	16,926
Trade and other payables	(32,874)	208	30,293	21,402
Cash flows from operating activities	(13,480)	6,221	37,397	6,633
Interest paid	(2)	(2)	(4)	(6)
Interest received	161	104	399	315
Tax paid	(3,499)	(1,100)	(8,499)	(3,300)
Net cash flows (used in)/ generated from operating activities	(16,820)	5,223	29,293	3,642
Cash flows from investing activities				
Purchase of property, plant and equipment	(755)	(10,561)	(17,462)	(16,915)
Investment property under construction	12,253	(6,722)	(8,895)	229
Net cash flows from/ (used in) investing activities	11,498	(17,283)	(26,357)	(16,686)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares	-	-	1	-
Repayment of hire purchase payables	(12)	(16)	(36)	(39)
Net cash flows used in financing activities	(12)	(16)	(35)	(39)
Net (decrease)/increase in cash and cash equivalents	(5,334)	(12,076)	2,901	(13,083)
Cash and cash equivalents at beginning of financial period	22,315	29,718	14,081	30,725
Currency translation differences	(16)	-	(17)	-
Cash and cash equivalents at end of financial period	16,965	17,642	16,965	17,642

4. Statement of changes in equity

	Share capital	Retained earnings/ (accumulated losses)	Foreign currency translation reserves	Total
	RM'000	RM'000	RM'000	RM'000
Group (unaudited)				
Balance as at 01.07.16	5,000	40,709	-	45,709
Issue of ordinary shares	2	-	-	2
Total comprehensive income for the period	-	62,261	(17)	62,244
Balance as at 31.03.17	5,002	102,970	(17)	107,955
Group (unaudited)				
Balance as at 01.07.15	5,000	(2,203)	-	2,797
Total comprehensive income for the period	-	36,327	-	36,327
Balance as at 31.03.16	5,000	34,124	-	39,124

5. Review of the performance

REVIEW OF STATEMENT OF COMPREHENSIVE INCOME OF THE GROUP

3 months ended 31 March 2017 ("3Q2017") vs 3 months ended 31 March 2016 ("3Q2016")

The Group's revenue increased by RM53.4 million from RM21.2 million in 3Q2016 to RM74.6 million in 3Q2017 mainly due to higher sales from the Capital 21 project (retail podium component of the Group's mixed development in Johor, Malaysia), based on a higher percentage of completion. In addition, the Group has commenced sales of its serviced suites component, Capital Suites in 3Q2017, which also contributed to the overall increase in revenue.

Gross profit increased significantly by RM39.1 million from RM16.0 million in 3Q2016 to RM55.1 million in 3Q2017 which is in line with the increase in revenue, with the margin ranging from 73% to 76%.

Other income of RM0.2 million in 3Q2017 comprised mainly of interest income and forfeiture income recognised from sales termination by property buyers.

Selling and distribution expenses of RM3.0 million in 3Q2017 comprised mainly of sales commission and advertising and promotional expenses. The increase is in line with higher revenue recorded.

The increase in general and administrative expenses of RM0.5 million from RM1.0 million in 3Q2016 to RM1.5 million in 3Q2017 was mainly due to higher payroll related costs from the additional headcounts.

As a result of the aforementioned, the Group recorded a higher net profit of RM38.4 million in 3Q2017 as compared to a net profit of RM10.7 million in 3Q2016.

Net profit margin remained consistent at around 50% for both financial periods under review.

9 months ended 31 March 2017 ("9M2017") vs 9 months ended 31 March 2016 ("9M2016")

For the same reasons mentioned in the above, the Group's revenue increased by RM50.4 million from RM69.9 million in 9M2016 to RM120.3 million in 9M2017.

Gross profit increased significantly by RM39.1 million from RM53.5 million in 9M2016 to RM92.6 million in 9M2017 which is in line with the increase in revenue, with the margin ranging between 76% and 77%.

Other income of RM0.7 million in 9M2017 comprised mainly of interest income and forfeiture incomes recognised as a result of sales termination by property buyers.

The increase in selling and distribution expenses by RM2.3 million from RM3.8 million in 9M2016 to RM6.2 million in 9M2017 is in line with the revenue increase.

General and administrative expenses increased by RM1.8 million from RM2.7 million to RM4.5 million was mainly due to higher payroll costs from additional headcounts, legal fees and setup costs of Capital 21 gallery.

As a result of the aforementioned, the Group recorded a higher net profit of RM62.3 million in 9M2017 as compared to a net profit of RM36.3 million in 9M2016.

REVIEW OF STATEMENT OF FINANCIAL POSITION OF THE GROUP

Current assets increased by RM68.8 million from RM190.4 million as at 30 June 2016 to RM259.2 million as at 31 March 2017. The increase was mainly due to the increase: i) in inventory properties of RM30.7 million recognized on a higher percentage of completion as construction progresses; and ii) in trade receivables of RM36.6 million due to progress billings issued during the financial period.

Non-current assets increased by RM35.5 million to RM311.9 million as at 31 March 2017 from RM276.4 million as at 30 June 2016. The increase was mainly due to the advancement in the construction works of Capital 21 project where costs have been capitalized under various categories of property, plant and equipment, inventory properties and investment properties under construction. The land costs for the two future projects, namely Project Austin and Project Sitiawan Wellness Hub, were not included as at 31 March 2017 as the building plans for these two projects are pending approval by the relevant authorities.

Current liabilities increased by RM66.2 million from RM268.2 million as at 30 June 2016 to RM334.4 million as at 31 March 2017. The increase was mainly due to an increase in: i) trade payables of RM22.5 million relating to main contractor costs; ii) deferred revenue of RM28.7 million due to the timing recognition of revenue vis-à-vis the higher progress billings; and iii) provision for taxation of RM11.9 million due to the profitable operations for the financial period under review.

Non-current liabilities decreased by RM24.1 million due mainly to a decrease in trade payables from the repayment of land costs.

REVIEW OF STATEMENT OF CASH FLOWS OF THE GROUP

3Q2017 vs 3Q2016

In 3Q2017, the Group's net cash used in operating activities amounted to RM16.8 million. This comprised of mainly operating cash inflow before working capital changes of RM53.3 million, adjusted for net working capital outflow of RM66.8 million and tax payment of RM3.5 million.

The net working capital outflow of RM66.78 million was mainly due to: i) increase in inventory properties of RM20.5 million; ii) increase in trade and other receivables of RM12.5 million; and iii) decrease in trade and other payables of RM32.9 million.

Net cash generated from investing activities of RM11.5 million in 3Q2017 was primarily due to costs of investment property under construction.

9M2017 vs 9M2016

In 9M2017, the Group's net cash generated from operating activities amounted to RM29.3 million. This comprised mainly operating cash inflow before working capital changes of RM86.6 million, adjusted for net working capital outflow of RM49.1 million and tax payment of RM8.5 million.

The net working capital outflow of RM49.1 million was mainly due to: i) increase in inventory properties of RM42.5 million; and ii) increase in trade and other receivables of RM33.9 million, offset by an increase in trade and other payables of RM30.3 million.

Net cash used in investing activities of RM26.36 million in the 9M2017 was due to the increase in property, plant and equipment and investment property under construction.

6. Commentary on outlook for the next 12 months

The property market in Malaysia remains resilient despite a challenging economic environment. The rapid infrastructure developments such as MRT, LRT additional lines and stations, new highways and expressways will drive growth within the Malaysia property industry. The construction of the upcoming high-speed rail (HSR) line between Singapore and Kuala Lumpur, which is due for completion in 2026 has planned for stops in Putrajaya, Negeri Sembilan, Malacca and Johor, which augurs well for the property developments in these regions[1].

Property purchasers are more cautious in spending due to the tightening of the loan requirements and rising cost of living in Malaysia. Therefore, they are inclined towards the affordable property market segment. Projects with good concepts, locations and effective marketing strategies have been performing well[2]. Leveraging on the Group's business model of working with landowners on a joint venture basis, the Group will only undertake the development of land assets which are ready for development. In addition, the Group is able to identify and meet the demands in a selected area by designing suitable products, capitalizing on the management's expertise.

Following Project Capital City, the Group has secured two new development projects in Malaysia, namely Project Austin and Project Sitiawan Wellness Hub (collectively, the "**Projects**") on a joint venture basis. The Group has commenced preparations for the initial stages of development of the Projects where the Group has submitted our application to seek planning permission in respect of Project Austin from the relevant authorities.

Moving ahead, the Group is also seeking opportunities to form strategic partnerships and joint ventures to develop projects in Southeast Asia which will allow the Group to achieve regionalization and further enhance the growth of its property development business.

[1]Malaysia real estate market outlook for 2017, http://www.thesundaily.my/news/2143610

[2]Malaysia's property market still resilient despite challenges, http://www.thestar.com.my/business/business-news/2017/01/03/property-market-still-resilient-despite-challenges/