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AlloyMtd

MTD ACPI ENGINEERING BERHAD

(Company No. 258836-V)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS IN RELATION TO :

PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE; AND

PROPOSED NEW SHAREHOLDERS' MANDATE FOR NEW RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The above proposals will be tabled as Special Business at the Twenty-Third ("23rd") Annual General Meeting ("AGM") of MTD ACPI Engineering Berhad ("MTDACPI" or "Company"). The 23rd AGM of MTDACPI will be held at 1, Jalan Batu Caves, 68100 Batu Caves, Selangor Darul Ehsan on Thursday, 8 September 2016 at 9.30 a.m. or any adjournment thereof. The Notice of the 23rd AGM of MTDACPI together with the Form of Proxy are set out in the 2016 Annual Report of the Company.

The Form of Proxy must be completed and lodged at the Registered Office of the Company at 1, Jalan Batu Caves, 68100 Batu Caves, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last day and time for lodging the Form of Proxy : Tuesday, 6 September 2016 at 9.30 a.m.

Date and time of the 23rd AGM of MTDACPI : Thursday, 8 September 2016 at 9.30 a.m.

This Circular is dated 29 July 2016

DEFINITIONS

Except where the context otherwise indicates, the following definitions shall apply throughout this Circular:

| | | |
|------------------------|---|---|
| “Act” | : | Companies Act, 1965, including any amendment thereto that may be made from time to time |
| “ACE” | : | Alloy Concrete Engineering Sdn Bhd (324487-X) |
| “ACSB” | : | Alloy Capital Sdn Bhd (1000647-U) |
| “AGM” | : | Annual General Meeting of MTDACPI |
| “Alloy” | : | Alloy Consolidated Sdn Bhd (9850-H) |
| “Alloy Group” | : | Alloy and its subsidiaries excluding MTD Group and MTDACPI Group |
| “AlloyMtd Group” | : | Alloy and its subsidiaries inclusive of MTD, MTDACPI and their subsidiaries |
| “ANIH” | : | ANIH Berhad (939539-X) |
| “Board” | : | Board of Directors of MTDACPI |
| “Building” | : | A building leased by MTD Properties Sdn Bhd, a wholly-owned subsidiary of MTD and located at 1, Jalan Batu Caves, 68100 Batu Caves, Selangor Darul Ehsan |
| “Bursa Securities” | : | Bursa Malaysia Securities Berhad (635998-W) |
| “Code” | : | Malaysian Code on Take-Overs and Mergers, 2010, including any amendment thereto that may be made from time to time |
| “Director(s)” | : | Shall have the meaning given in Section 4 of the Act and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director of the Company or any other company which is its subsidiary or holding company or a chief executive officer of the Company, its subsidiary or holding company |
| “EPS” | : | Earnings per share |
| “LSSB” | : | Lambang Simfoni Sdn Bhd (423407-X) |
| “Listing Requirements” | : | Bursa Securities Main Market Listing Requirements, including any amendment thereto that may be made from time to time |
| “Major Shareholder(s)” | : | A person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is: (a) ten percent (10%) or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or (b) five percent (5%) or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation For the purpose of this definition, “interest in shares” has the meaning given in Section 6A of the Act. A major shareholder includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a major shareholder of the Company or any other company which is its subsidiary or holding company |
| “Metacorp” | : | Metacorp Berhad (93570-P) |
| “MTD” | : | MTD Capital Bhd (256187-T) |

DEFINITIONS (Cont'd)

| | | |
|---|---|--|
| “MTDESB” | : | MTD Equity Sdn Bhd (393798-D) |
| “MTD Group” | : | MTD and its subsidiaries excluding MTDACPI Group |
| “MTDACPI” or “Company” | : | MTD ACPI Engineering Berhad (258836-V) |
| “MTDACPI Group” | : | MTDACPI and its subsidiaries |
| “NA” | : | Net assets |
| “Nik Fadzlin” | : | Nik Fadzlin Binti Tan Sri Nik Hussain - Director of Nikvest - Daughter of Tan Sri Dr. Nik Hussain |
| “Nik Fadzrina” | : | Nik Fadzrina Binti Tan Sri Nik Hussain - Director of Nikvest - Daughter of Tan Sri Dr. Nik Hussain |
| “Nik Faizul” | : | Nik Faizul Bin Tan Sri Nik Hussain - Director of MTD and Nikvest - Son of Tan Sri Dr. Nik Hussain |
| “Nik Fauzan” | : | Nik Fauzan Bin Nik Faizul - Son of Nik Faizul |
| “Nik Fauzi” | : | Nik Fauzi Bin Tan Sri Nik Hussein - Director of ANIH, Nikvest, MTD, MTDESB and LSSB - Son of Tan Sri Dr. Nik Hussain |
| “Nikvest” | : | Nikvest Sdn Bhd (159766-X) |
| “Proposed New RRPT Mandate” | : | Proposed New Shareholders’ Mandate for New Recurrent Related Party Transactions of a Revenue or Trading Nature |
| “Proposed Renewal of RRPT Mandate” | : | Proposed Renewal of Existing Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature |
| “Proposed RRPT Mandate” | : | Proposed Renewal of RRPT Mandate and Proposed New RRPT Mandate |
| “Puan Sri Fuziah” | : | Puan Sri Nik Fuziah Binti Tan Sri Nik Hussain - Director of Alloy, ACSB, ACE, ANIH, Nikvest, MTD, MTDESB, and MTDACPI - Daughter of Tan Sri Dr. Nik Hussain - Spouse of Tan Sri Dr. Azmil |
| “Related Party(ies)” | : | Director(s), Major Shareholder(s) or person(s) connected with such Director(s) or Major Shareholder(s) of MTDACPI Group |
| “Recurrent Related Party Transaction(s)” or “RRPT(s)” | : | Recurrent related party transactions of a revenue or trading nature with Related Party which are in the ordinary course of business and necessary for the day-to-day operation of MTDACPI Group |
| “RM” | : | Ringgit Malaysia |
| “SC” | : | Securities Commission |
| “Share(s)” | : | Ordinary share(s) of RM1.00 each in MTDACPI |
| “Tan Sri Dr. Azmil” | : | Tan Sri Dr. Azmil Khalili Bin Dato’ Khalid - Director of ANIH, Alloy, ACSB, ACE, MTD, MTDESB, LSSB and MTDACPI - Spouse of Puan Sri Fuziah |
| “Tan Sri Dr. Nik Hussain” | : | Tan Sri Dr. Nik Hussain Bin Abdul Rahman - Director of ANIH, Nikvest, MTD, MTDESB, LSSB and Metacorp - Father of Nik Fauzi, Nik Faizul, Puan Sri Fuziah, Nik Fadzlin and Nik Fadzrina |

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**CIRCULAR TO SHAREHOLDERS IN RELATION TO :
PROPOSED RENEWAL OF RRPT MANDATE AND PROPOSED NEW RRPT MANDATE****LETTER TO SHAREHOLDERS OF MTDACPI CONTAINING:**

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AlloyMtd

MTD ACPI ENGINEERING BERHAD

(Company No. 258836-V)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office
1, Jalan Batu Caves
68100 Batu Caves
Selangor Darul Ehsan

29 July 2016

The Board of Directors

Dato' Ir. A. Rashid bin Omar (*Chairman, Independent Non-Executive Director*)

Tan Sri Dr. Azmil Khalili bin Dato' Khalid (*President & Chief Executive Officer / Non-Independent Executive Director*)

Puan Sri Nik Fuziah binti Tan Sri Nik Hussein (*Deputy President & Chief Operating Officer / Non-Independent Executive Director*)

Dato' Ir. Kalid bin Alias (*Senior Independent Non-Executive Director*)

Nik Din bin Nik Sulaiman (*Independent Non-Executive Director*)

Lee Leong Yow (*Independent Non-Executive Director*)

Keith George Cowling (*Non-Independent Executive Director*)

To : The Shareholders of MTDACPI

Dear Sir / Madam,

- i) **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE; AND**
- ii) **PROPOSED NEW SHAREHOLDERS' MANDATE FOR NEW RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

1. INTRODUCTION

On 13 July 2016, MTDACPI had announced that the Company proposes to seek shareholders' approval for the following:

- (i) Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature; and
- (ii) Proposed New Shareholders' Mandate for New Recurrent Related Party Transactions of a Revenue or Trading Nature.

The purpose of this Circular is to provide you with the details of the Proposed RRPT Mandate and to seek your approval for the Ordinary Resolutions to be tabled at the forthcoming 23rd AGM. The Notice of 23rd AGM together with the Form of Proxy are set out in the 2016 Annual Report of the Company.

YOU ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS AT THE FORTHCOMING 23RD AGM.

2. PROPOSED RRPT MANDATE

The Proposed RRPT Mandate will take effect from the date the Ordinary Resolutions are approved by shareholders at the forthcoming 23rd AGM and will remain in effect until:

- (a) the conclusion of the next AGM following the general meeting at which this mandate is passed, at which time it will lapse, unless the authority is renewed by a resolution passed by the shareholders at that general meeting;
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier (“**Proposed Validity Period**”).

The Board propose to seek approval from shareholders for the RRPTs as set out in Section 2.1.3, which MTDACPI Group are anticipated to enter into from the date of the forthcoming 23rd AGM until expiry as set out above whichever, is applicable. Approval from shareholders will be sought for the Proposed RRPT Mandate at the next AGM and at each subsequent AGM of the Company, subject to satisfactory review by the Audit Committee of the Company of its continued application to the Recurrent Related Party Transactions.

The Proposed RRPT Mandate is intended to facilitate transactions of a revenue or trading nature in the normal course of business which are necessary for the day-to-day operations of MTDACPI Group, which are likely to occur with some degree of frequency at any time with the Related Parties during the Proposed Validity Period, provided that the transactions are carried out at arm’s length and on MTDACPI normal commercial terms and are not prejudicial to the minority shareholders, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders.

2.1 Details of the Proposed RRPT Mandate

2.1.1 Details of MTDACPI Group

The principal activities of MTDACPI are investment holding company and project management. The principal activities of its subsidiaries are manufacturing and marketing of precast concrete products, heavy element precast products for viaducts, elevated highways, light rail transit guideways, bridges, engineered products, building system products, providing civil engineering and construction works and specialist contracting services.

2.1.2 Classes of Related Parties

(A) Alloy Group

The principal activities of Alloy Group are general construction, roads and highway maintenance, soil erosion control services, highway management and toll operation, outdoor advertising services and insurance broker.

Alloy is deemed interested in MTDACPI (67.78%) through the interests of its subsidiaries namely, MTD (50.77%) and ACSB (17.01%). Alloy’s interest in MTD is by virtue of its direct shareholding of 26.01% and indirect shareholding of 51.18% through its wholly-owned subsidiaries, ACSB (47.78%) and ACE (3.4%).

(B) Nikvest

The principal activities of Nikvest are investment holding and letting of properties.

Nikvest is deemed interested in MTDACPI (50.77%) by virtue of the interest of Tan Sri Dr. Nik Hussain’s children’s interests in Nikvest.

(C) ANIH

The principal activity of ANIH is investment holding.

ANIH is deemed interested in MTDACPI by virtue of the interests of its shareholders namely, Tan Sri Dr. Nik Hussain (51%) and Tan Sri Dr. Azmil, (49%), both have indirect interest of 67.78% in MTDACPI .

(D) MTD Group

The principal activities of MTD are investment holding and provisioning of project management services while its subsidiaries and joint venture companies are engaged in the following core businesses:

- (i) infrastructure development;
- (ii) provision of consultancy;
- (iii) turnkey and project management services;
- (iv) construction, building and public engineering works;
- (v) property development and letting of property; and
- (vi) solid waste management.

MTD is deemed interested in MTDACPI by virtue of its shareholding of 0.87% and interest of its wholly-owned subsidiaries namely, MTDESB and Metacorp of 38.1% and 11.8% respectively. MTD has direct interest of 8.6% and indirect interest of 91.4% in Metacorp through its wholly-owned subsidiary, LSSB.

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2.1.3 Nature of RRPTs

The details and nature of RRPTs under the Proposed Renewal of RRPT Mandate which have been or will be entered into by MTDACPI Group in the ordinary course of business of MTDACPI Group with the Related Parties are set out below.

PROPOSED RENEWAL OF RRPT MANDATE

| Related Party ⁽¹⁾ | Nature of Transactions | Shareholders' Mandate obtained on 17/9/2015 until the conclusion of the forthcoming 23rd AGM (RM' million) | Actual Value of RRPT transacted from 17/9/2015 until 30/6/2016 ⁽²⁾ (RM' million) | Estimated Value of Proposed RRPT during the Proposed Validity Period ⁽³⁾ (RM' million) | Interested Directors and/or Major Shareholders of MTDACPI |
|------------------------------|---|--|---|---|--|
| Alloy Group | Procurement of insurance and related services from Alloy Group | 6 | 0.4 | 6 | <u>Interested Directors:</u> Tan Sri Dr. Azmil and Puan Sri Fuziah <u>Interested Major Shareholders:</u> MTD, MTDESB, Metacorp, ACSB, LSSB, Nikvest, Alloy, Tan Sri Dr. Nik Hussain, Tan Sri Dr. Azmil, Puan Sri Fuziah and Ruslan Sulaiman |
| | Provision of construction and property development works by MTDACPI Group to Alloy Group | 18 | - | 18.5 | |
| | Civil engineering, construction, property development projects awarded by MTDACPI Group to Alloy Group | 225 | 6.1 | 250 | |
| | Supply of road marking, bridge expansion joint, bituminous and plastic products, road surfacing maintenance & pavement works and other road furniture items by MTDACPI Group to Alloy Group | 27.5 | 3.3 | 27.5 | |
| | Supply of infrastructure, construction & building materials and ancillary installation works by MTDACPI Group to Alloy Group | 3 | - | 3 | |
| | Provision of advertising services by Alloy Group to MTDACPI Group | 0.5 | Negligible | 0.5 | |

PROPOSED RENEWAL OF RRPT MANDATE

| Related Party ⁽¹⁾ | Nature of Transactions | Shareholders' Mandate obtained on 17/9/2015 until the conclusion of the forthcoming 23rd AGM (RM' million) | Actual Value of RRPT transacted from 17/9/2015 until 30/6/2016 ⁽²⁾ (RM' million) | Estimated Value of Proposed RRPT during the Proposed Validity Period ⁽³⁾ (RM' million) | Interested Directors and/or Major Shareholders of MTDACPI |
|------------------------------|---|---|---|---|--|
| MTD Group | Supply of road marking, bridge expansion joint, bituminous and plastic products, road surfacing, maintenance & pavement works and other road furniture items by MTDACPI Group to MTD Group | 4 | - | 4 | <u>Interested Directors:</u> Tan Sri Dr. Azmil and Puan Sri Fuziah <u>Interested Major Shareholders:</u> MTD, MTDESB, Metacorp, ACSB, LSSB, Nikvest, Alloy, Tan Sri Dr. Nik Hussain, Tan Sri Dr. Azmil, Puan Sri Fuziah, Nik Fauzi, Nik Faizul, Nik Fadzlin, Nik Fadzrina, Nik Fauzan and Ruslan Sulaiman |
| | Renting of office space in the Building from and payable to MTD Group, on monthly basis for tenancy of not more than three (3) years (inclusive of utilities, other expenses and Goods & Services Tax) at RM295,806 per month | 3.9 | 2.7 | Not Required | |
| | Renting of office space in the Building from and payable to MTD Group, on monthly basis for tenancy of not more than three (3) years (inclusive of utilities, other expenses and Goods & Services Tax) at RM325,233 per month | 7.5 | - | 3.7 | |
| | Provision of security services by MTD Group to MTDACPI Group | 2.7 | 0.7 | 1.5 | |
| | Provision of civil engineering, construction and property development works by MTDACPI Group to MTD Group | 1,700 | 29.1 | 1,500 | |
| | Provision of interest on advances provided by MTD Group to MTDACPI Group | 6 | 2.3 | 5 | |
| | ANIH | Supply of road marking, bridge expansion joint, bituminous and plastic products, road surfacing, maintenance & pavement works and other road furniture items by MTDACPI Group to ANIH | 16 | 0.2 | |

The details and nature of RRPTs under the Proposed New RRPT Mandate which will be entered into by MTDACPI Group in the ordinary course of business of MTDACPI Group with the Related Parties are set out below.

PROPOSED NEW RRPT MANDATE

| Related Party ^{*(1)} | Nature of Transactions | Estimated Value of Proposed RRPT during the Proposed Validity Period ^{*(4)} (RM' million) | Interested Directors and/or Major Shareholders of MTDACPI |
|-------------------------------|---|--|---|
| MTD Group | Provision of civil engineering, construction and property development works by MTDACPI Group to MTD Group | 400 | <u>Interested Directors:</u> Tan Sri Dr. Azmil and Puan Sri Fuziah |
| | Civil engineering, construction, property development projects awarded by MTDACPI Group to MTD Group | 500 | <u>Interested Major Shareholders:</u> MTD, MTDESB, Metacorp, ACSB, LSSB, Nikvest, Alloy, Tan Sri Dr. Nik Hussain, Tan Sri Dr. Azmil, Puan Sri Fuziah, Nik Fauzi, Nik Faizul, Nik Fadzlin, Nik Fadzrina, Nik Fauzan and Ruslan Sulaiman |
| | Provision of Internal Audit Services by MTD Group to MTDACPI Group | 0.42 | |

Notes:

^{*(1)} Anticipated or potential Related Parties of MTDACPI Group.

^{*(2)} None of the actual value of RRPT exceeded the shareholders' mandate.

^{*(3)} The estimated value of RRPTs during the Proposed Validity Period which may be revised.

^{*(4)} The estimated value of new transactions for anticipated/potential contracts between MTDACPI Group and Related Parties during the Proposed Validity Period which may be revised.

Interested Directors/Major Shareholders and Persons Connected to them and nature of relationship of MTDACPI Group with the Related Parties as at 30 June 2016, are as follows:

- (1) MTD is deemed interested in MTDACPI by virtue of its shareholding of 0.87% and interest of its wholly-owned subsidiaries namely, MTDESB and Metacorp of 38.10% and 11.8% respectively. MTD has direct interest of 8.6% and indirect interest of 91.4% in Metacorp through its wholly-owned subsidiary, LSSB;
- (2) Alloy is deemed interested in MTDACPI (67.78%) through the interests of its subsidiaries namely, MTD (50.77%) and ACSB (17.01%). Alloy's interest in MTD is by virtue of its direct shareholding of 26.01% and indirect shareholding of 51.18% through its wholly-owned subsidiaries, ACSB (47.78%) and ACE (3.4%);
- (3) Nikvest is deemed interested in MTDACPI by virtue of its major shareholdings in MTD (22.81%). Tan Sri Dr. Nik Hussain's children are the ultimate major shareholders of Nikvest;
- (4) Puan Sri Fuziah, a director of MTDACPI is deemed interested in MTDACPI (67.78%) by virtue of her major shareholding in Alloy (80%);
- (5) Tan Sri Dr. Nik Hussain, is deemed interested in MTDACPI by virtue of his interests in MTD (100%) through his children's interests in Nikvest (22.81%) and Puan Sri Fuziah's interest (77.19%);
- (6) Tan Sri Dr. Azmil, a director of MTDACPI is deemed interested in MTDACPI (67.78%) by virtue of Puan Sri Fuziah's interest;

- (7) ANIH is deemed interested in MTDACPI by virtue of the indirect interest of Tan Sri Dr. Nik Hussain and Tan Sri Dr. Azmil. Both are Major Shareholders of ANIH and have interests in MTDACPI;
- (8) Nik Fauzi, Nik Faizul, Nik Fadzrina, Nik Fadzlin and Nik Fauzan are deemed interested in MTDACPI (50.77%) by virtue of their interests in MTD (22.81%) through their major shareholdings in Nikvest; and
- (9) Ruslan Sulaiman, a Director of Alloy and ACSB, is deemed interested in MTDACPI by virtue of his major shareholding in Alloy (20%).

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2.1.4 Amount Due and Owing to MTDACPI Group by Related Parties

The breakdown of the total outstanding amount due and owing by Related Parties under the RRPTs which exceeded the credit terms as at end of the financial year ended 31 March 2016 ("Outstanding RRPT Receivables") are as follows:

| Related Party | RRPTs | Principal Sum (RM) | Outstanding RRPT Receivables (RM) | | |
|---------------|--|--------------------|-----------------------------------|---------------------|----------------------|
| | | | ≤ 1 year | > 1 year to 3 years | > 3 years to 5 years |
| Alloy Group | Highway maintenance contracts | 1,023,815 | 32,121 | 242,515 | 2,270 |
| ANIH | Supply of highway maintenance products | 5,597 | - | 5,597 | - |
| MTD Group | Construction works | 318,514 | 23,704 | - | - |

There is no Outstanding RRPT Receivables exceeding the credit term of more than 5 years.

The management of the Company monitors and analyses the collection of Outstanding RRPT Receivables on regular basis, and engaged the Related Parties for expeditious payment.

No late payment charge is imposed by MTDACPI Group on the Outstanding RRPT Receivables, which exceeded the credit terms and *vice-versa*, no late payment charge is imposed by Related Parties.

The Board is aware of the Outstanding RRPT Receivables which exceeded the credit term and opined that these Outstanding RRPT Receivables are owing in the ordinary course of business, and there will be no recoverable issue as the Related Parties have good credit standing and long standing relationship with MTDACPI Group.

2.2 Rationale and Benefits of the Proposed RRPT Mandate

The rationale and benefits of the Proposed RRPT Mandate are as follows:

- (a) The Related Parties have long standing relationship with MTDACPI Group where similar businesses are conducted and transactions with the Related Parties are likely to occur to take advantage of reliability in the standard of services, support provided, sharing of product information and knowledge; and further, MTDACPI Group would have the added advantage of confidence and familiarity with the background and management of the Related Parties and *vice-versa*, thus enabling more informed decision-making by MTDACPI Group;
- (b) To facilitate transactions with Related Parties which are priced competitively and are carried out in the ordinary course of business of MTDACPI Group, entered into at arm's length and ordinary commercial terms not more favourable to the Related Parties than those generally available to the public and are not detrimental to the interests of the minority shareholders;
- (c) To enter into recurrent transactions in the ordinary course of business which are time-sensitive, confidential and frequent without having to make immediate announcements and to convene separate general meetings of the Company, to seek shareholders' approval on transactions pursuant to the financial limits imposed by Bursa Securities under Paragraph 10.08 of the Listing Requirements;
- (d) The transactions with the Related Parties create mutual benefits for the parties and to reflect the objectives of AlloyMtd Group to achieve synergy for efficient and effective day-to-day operations. This will substantially reduce the expenses associated with the convening of general meetings on an ad-hoc basis, improve administration efficiency and allow manpower resources and time to be channeled towards attaining other corporate objectives; and
- (e) MTDACPI Group benefits from the close working relationship with the Related Parties and the prompt and reliable services and products from them. The Related Parties also possess relevant experience and expertise in the respective fields, which are required by MTDACPI Group in its day-to-day operations.

2.3 Review Procedures for the RRPTs

There are procedures established by MTDACPI Group to ensure that RRPTs are undertaken on arm's length basis and on normal commercial terms consistent with the business practices and policies of MTDACPI Group, which are generally not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders. The procedures are as follows:

- (a) A list of Related Parties of MTDACPI Group will be circulated to the Directors and management of the Company and its subsidiaries to notify that all RRPTs are required to be undertaken on arm's length basis and on normal commercial terms and on terms not more favourable to the Related Party than those generally available to the public and not detrimental to the minority shareholders;

- (b) RRPTs will be reviewed by the Audit Committee on quarterly basis. Any member of the Audit Committee may as he deems fit, requests for additional information pertaining to the transactions including from independent sources or advisers;
- (c) The management of MTDACPI will monitor and review all RRPTs which are entered into pursuant to shareholders' mandate. The RRPTs will be recorded in a register and the breakdowns of aggregate value of the transactions during the financial year are disclosed in the annual report of the Company;
- (d) The annual internal audit plan shall incorporate a review of all RRPTs entered into pursuant to shareholders' mandate, to ensure that the relevant approvals have been obtained and review procedures in respect of RRPTs have been complied with;
- (e) The Board and the Audit Committee of MTDACPI shall review the internal audit reports to ascertain that the review procedures established to monitor, track and identify RRPTs in a timely and orderly manner are adequate and have been complied with;
- (f) If a member of the Board or Audit Committee has an interest in the transaction to be reviewed by the Board or the Audit Committee as the case may be, he will not participate in deliberation of such transaction and will abstain from any decision-making in the Board or the Audit Committee in respect of that transaction;
- (g) The management of MTDACPI will ensure at least two (2) other contemporaneous transactions with unrelated third parties for similar products/services, and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same/substantially similar type of products/services and/or quantities. Where there is no similar or substantially similar nature of transactions between MTDACPI Group and unrelated third parties; the price, terms and conditions of the transactions for the products or services will be in accordance with applicable industry norms, prevailing commercial rates and will not be detrimental to the minority shareholders;
- (h) The thresholds for approval of RRPTs by the Board subject to the recommendation of the Audit Committee are as follows:
 - (i) Renting of office space in the Building from MTD Group exceeding RM1 million per contract;
 - (ii) Procurement of insurance and related services from Alloy Group exceeding RM500,000 per contract;
 - (iii) Provision/award and acceptance of construction, property development or project management services contracts exceeding RM15 million per contract;
 - (iv) Supply of materials and construction of ancillary installations works exceeding RM10 million per contract; and
 - (v) Provision of interest on advances provided by MTD Group to MTDACPI Group exceeding RM1 million per transaction.
- (i) The cost plus method, if deemed necessary, will be used to determine the price of the transactions. This method determines the arm's length price by adding an appropriate mark-up to the cost of transaction at a percentage not more favourable to the Related Parties than those generally available to unrelated third parties and ensures that the RRPTs are not detrimental to MTDACPI Group; and
- (j) The Company will immediately announce to Bursa Securities when the actual value of a RRPT entered into by the Company exceed the estimated value of the RRPT disclosed in this Circular by 10% or more and include, information as may be prescribed by Bursa Securities in its announcement.

2.4 Statement by the Audit Committee

The Audit Committee of the Company has considered the procedures and processes mentioned in Section 2.3 on an annual basis and is satisfied that MTDACPI Group have in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner as well as sufficient to ensure the RRPTs are entered into at arm's length, not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders.

2.5 Directors' and/or Major Shareholders' Interests

The interest of the interested Directors in MTDACPI as at 30 June 2016 is as follows:

| Directors | No of ordinary shares | | | |
|-------------------|-----------------------|------------------|-------------|----------------------|
| | Direct | % ⁽¹⁾ | Indirect | % ⁽¹⁾ |
| Tan Sri Dr. Azmil | - | - | 156,565,409 | 67.78 ⁽²⁾ |
| Puan Sri Fuziah | - | - | 156,565,409 | 67.78 ⁽³⁾ |

Notes:

- (1) *Net of 637,000 treasury shares held.*
(2) *Deemed interested by virtue of his spouse's interest in Alloy.*
(3) *Deemed interested by virtue of her interest in Alloy, a Major Shareholder of MTD.*

The interested Major Shareholders of MTDACPI (holding 10% or more of the issued and paid-up capital) as at 30 June 2016 are as follows:

| Major Shareholders | No of ordinary shares | | | |
|-------------------------|-----------------------|------------------|-----------------------------|------------------|
| | Direct | % ⁽¹⁾ | Indirect | % ⁽¹⁾ |
| MTDESB | 88,000,000 | 38.10 | - | - |
| Metacorp | 27,254,610 | 11.80 | - | - |
| ACSB | 39,295,999 | 17.01 | 117,269,410 ⁽²⁾ | 50.77 |
| LSSB | - | - | 27,254,610 ⁽³⁾ | 11.80 |
| MTD | 2,014,800 | 0.87 | 115,254,610 ⁽⁴⁾ | 49.89 |
| Nikvest | - | - | 117,269,410 ⁽⁵⁾ | 50.77 |
| Alloy | - | - | 156,565,409 ⁽⁶⁾ | 67.78 |
| Tan Sri Dr. Nik Hussain | - | - | 156,565,409 ⁽⁷⁾ | 67.78 |
| Tan Sri Dr. Azmil | - | - | 156,565,409 ⁽⁸⁾ | 67.78 |
| Puan Sri Fuziah | - | - | 156,565,409 ⁽⁹⁾ | 67.78 |
| Nik Fauzi | - | - | 117,269,410 ⁽¹⁰⁾ | 50.77 |
| Nik Faizul | - | - | 117,278,660 ⁽¹¹⁾ | 50.77 |
| Ruslan Sulaiman | - | - | 156,565,409 ⁽¹²⁾ | 67.78 |
| Nik Fadzrina | - | - | 117,269,410 ⁽¹³⁾ | 50.77 |
| Nik Fadzlin | - | - | 117,269,410 ⁽¹³⁾ | 50.77 |
| Nik Fauzan | - | - | 117,269,410 ⁽¹⁴⁾ | 50.77 |

Notes:

- (1) *Net of 637,000 treasury shares held.*
(2) *Deemed interested by virtue of its major shareholding in MTD.*
(3) *Deemed interested by virtue of its major shareholding in Metacorp.*
(4) *Deemed interested by virtue of the interests of its wholly-owned subsidiaries namely, MTDESB and Metacorp.*
(5) *Deemed interested by virtue of its major shareholding in MTD.*
(6) *Deemed interested by virtue of the interests of its subsidiaries namely, MTD and ACSB. Alloy has direct shareholding of 26.01% and indirect shareholding of 51.18% in MTD through its wholly-owned subsidiaries, ACSB (47.78%) and ACE (3.4%).*
(7) *Deemed interested by virtue of his interests in MTD through his children's interests in Nikvest and Puan Sri's substantial interest in Alloy.*
(8) *Deemed interested by virtue of Puan Sri Fuziah's substantial interest in Alloy.*
(9) *Deemed interested by virtue of her major shareholding in Alloy.*
(10) *Deemed interested by virtue of his indirect interest in Nikvest.*
(11) *Deemed interested by virtue of his spouse's shareholding in MTDACPI and his indirect interest in Nikvest.*
(12) *Deemed interested by virtue of his major shareholdings in Alloy.*
(13) *Deemed interested by virtue of her shareholdings held in Mirath Al Ihsan Sdn Bhd (a major shareholder of Nikvest).*
(14) *Deemed interested by virtue of his shareholdings held in Wawasan Fasih Sdn Bhd (a major shareholder of Nikvest).*

2.6 Abstention from Voting

The interested Directors namely, Tan Sri Dr. Azmil and Puan Sri Fuziah have abstained from deliberations and voting on the Proposed RRPT Mandate at the Board level.

The interested Directors and interested Major Shareholders namely MTD, MTDESB, Metacorp, ACSB, LSSB, Nikvest, Alloy, Tan Sri Dr. Nik Hussain, Tan Sri Dr. Azmil, Puan Sri Fuziah, Nik Fauzi, Nik Faizul, Ruslan Sulaiman, Nik Fadzrina, Nik Fadzlin and Nik Fauzan (collectively referred to as "Interested Directors/Major Shareholders") will abstain from voting in respect of their direct and indirect shareholdings in MTDACPI on the Ordinary Resolutions pertaining to the Proposed RRPT Mandate at the forthcoming 23rd AGM.

The interested Directors/Major Shareholders have undertaken to ensure that persons connected with them will abstain from voting on the Ordinary Resolutions in respect of the Proposed RRPT Mandate to be tabled at the forthcoming 23rd AGM.

Save as disclosed above, none of the other Directors or Major Shareholders of the Company or persons connected with them have any interest, direct or indirect, in the Proposed RRPT Mandate.

2.7 Effects of the Proposed RRPT Mandate

The Proposed RRPT Mandate will have no effect on the issued and paid-up share capital of MTDACPI, Major Shareholders' shareholdings, NA and EPS of MTDACPI Group.

3. CONDITIONS OF THE PROPOSALS

The Proposals are subject to the approval being obtained from the shareholders of MTDACPI at the forthcoming 23rd AGM to be convened. The Proposed Renewal of RRPT Mandate and Proposed New RRPT Mandate are not inter-conditional.

4. DIRECTORS' RECOMMENDATION

4.1 Proposed RRPT Mandate

The Board (save and except for Tan Sri Dr. Azmil and Puan Sri Fuziah, who are deemed interested in the Proposed RRPT Mandate, have abstained from giving their opinion and making any recommendation in respect of the Proposed RRPT Mandate), having considered all aspects of the Proposed RRPT Mandate are of the opinion that the Proposed RRPT Mandate are in the best interests of MTDACPI Group and recommend that you vote in favour of the Ordinary Resolutions in relation to the Proposed RRPT Mandate to be tabled at the forthcoming 23rd AGM.

5. AGM

The 23rd AGM, the notice of which is set out in the 2016 Annual Report of the Company, will be held at 1, Jalan Batu Caves, 68100 Batu Caves, Selangor Darul Ehsan on Thursday, 8 September 2016 at 9.30 a.m. for the purpose of considering and, if thought fit, passing with or without modification, *inter-alia*, the Ordinary Resolutions set out in the Notice of 23rd AGM.

If you are unable to attend or vote in person at the 23rd AGM and wish to appoint a proxy to attend and vote in your stead, you are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed thereon to the Registered Office of the Company at 1, Jalan Batu Caves, 68100 Batu Caves, Selangor Darul Ehsan not later than forty-eight (48) hours before the time set for the 23rd AGM or any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

6. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendix I of this Circular for further information.

Yours faithfully
For and on behalf of the Board of
MTD ACPI ENGINEERING BERHAD

Dato' Ir. Kalid bin Alias
Senior Independent Non-Executive Director

FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board who collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. MATERIAL LITIGATION

Save as disclosed below, as at 30 June 2016, being the latest practicable date (“LPD”) prior to issuance of this Circular, MTDACPI Group are not engaged in any material litigation, claims or arbitration either as a plaintiff or defendant which has a material effect on the financial position of MTDACPI Group and the Board is not aware of any proceedings, pending or threatened against MTDACPI Group, or of any facts likely to give rise to any proceedings which might materially or adversely affect the position or business of MTDACPI Group.

- (i) **Court of Appeal, Civil Appeal No. W-02-604-11**
Affin Bank Berhad v ACP Industries Berhad
[Kuala Lumpur High Court, Suit No. D3-22-1817-1998
Perwira Affin Bank Berhad v ACP Industries Berhad]

On 9 June 1998, Perwira Affin Bank Berhad (now known as Affin Bank Berhad) (“Plaintiff”) filed a Writ of Summons and Statement of Claim (“SOC”) in the Kuala Lumpur High Court against ACP Industries Berhad (now known as MTDACPI) (“Defendant”) seeking for inter-alia, a declaration that all progress payments due and owing by the Defendant to a third party, LK Ooi Construction Sdn Bhd under a letter of award/contract with the Defendant in relation to construction and completion of a subcontract that was valued at RM8,851,935.00, which had been assigned to the Plaintiff by way of a deed of assignment, to be paid to the Plaintiff.

Whilst the aggregate amount of the progress payments is not specified in the SOC, the Plaintiff claims that the Defendant had, save for an amount of approximately RM2,821,190.00, failed to pay the Plaintiff any or all of the progress payments due under the subcontract. As such, the Plaintiff’s claim against the Defendant is estimated to be approximately RM6,030,745.00.

The Plaintiff’s application for summary judgment was heard and dismissed with costs on 30 March 2000. The Plaintiff’s appeal to the Court of Appeal against the summary judgment was also dismissed with costs on 23 June 2003.

Hearing of the matter began on 25 October 2005 and decision was fixed on 30 August 2007. The Plaintiff then filed an application to further amend the SOC on 17 August 2007. The hearing of the application was heard on 13 February 2009 and the Court dismissed the Plaintiff’s application. The Plaintiff then filed an appeal to the Court of Appeal. Therefore, the matter which is fixed for decision of the full trial on 29 May 2009, was postponed as the Learned Judge was of the view that the decision ought to be delivered after the disposal of the Plaintiff’s appeal.

On 6 October 2010, the Court of Appeal had dismissed the Plaintiff’s appeal with costs for RM4,000.00. Upon disposal of the appeal, the High Court had fixed a decision date on 24 January 2011 in regards to the full trial which was conducted on 29 May 2009. On 24 January 2011, the learned Judge had dismissed the Plaintiff’s claim with cost. Subsequently, the Plaintiff filed a Notice of Appeal against the High Court’s decision and the said notice was served on 4 March 2011 to the Defendant. The appeal has been fixed for case management on 2 October 2012 and hearing date had been fixed on 14 January 2013.

On 14 January 2013, the Court of Appeal allowed Plaintiff’s claim (“Order”). The Defendant filed a notice of motion to appeal to Federal Court on 7 February 2013 (“Motion to Appeal”). The Plaintiff on 13 February 2013 filed an application for directions and consequential orders in execution of the Order granted by the Court of Appeal on 14 January 2013 (“Application for Account and Proceedings”) and the Defendant subsequently filed notice of motion for stay of execution on 26 February 2013 (“Motion for Stay”). On 21 August 2013, the Motion to Appeal was dismissed with costs of RM10,000.00. Subsequently, on 10 September 2013, the Court struck out the Motion for Stay with costs of RM2,000.00.

The Plaintiff’s Application for Account and Proceedings was heard on 11 July 2014. The said application was fixed for decision on 15 August 2014.

On decision dated 15 August 2014, the Plaintiff's application was dismissed with costs of RM3,000.00. The Plaintiff had on 12 September 2014 filed notice of appeal against the decision dated 15 August 2014 ("Appeal"). Case management for the Plaintiff's Appeal was fixed on 30 October 2014.

On the case management dated 30 October 2014 the following directions were given by the Court:

- (i) Parties to file their respective submission on 24 November 2014; and
- (ii) Hearing of the Appeal is fixed on 8 December 2014.

Another case management was fixed on 21 November 2014, wherein the Court gave the following directions:

- (i) Parties to file and exchange written submission on 2 January 2015; and
- (ii) Hearing of the Appeal is rescheduled to 15 January 2015.

On 15 January 2015, the Plaintiff's appeal was allowed with costs of RM5,000.00 and the following orders given:

- (i) that the Defendant shall make out its account of all and further monies due and payable to the Plaintiff under the letter of award/contract dated 16 November 1995 and verify it by an affidavit to which the account shall be exhibited;
- (ii) that the Defendant shall lodge the account and the affidavit verifying the account pursuant to prayer (i) above with this Honourable Court within one (1) month from the date of this Order and at the same time notify and serve on the Plaintiff with copies of the account that has been lodged and the affidavit verifying the account and any other supporting affidavit;
- (iii) that the Plaintiff be at liberty to serve a notice on objection to the Defendant (amongst others, for the purpose of correct and surcharge the accounts) within one (1) month upon receiving the documents mentioned in prayer (ii) above;
- (iv) that the Plaintiff shall file a notice of appointment within seven (7) days after verification of the account pursuant to paragraph (iii) and after serving the same to the Defendant no later than seven (7) days after it has been filed; and
- (v) all other and further reliefs which the Court deems fit and proper.

Hence, pursuant to prayers (i) and (ii) above, the Defendant had on 6 March 2015 make out and lodge the affidavit verifying the account of all and further monies due and payable to the Plaintiff and notified and served the same to the Plaintiff.

Pursuant to prayers (iii) and (iv) above, the Plaintiff filed notice of objection on 23 April 2015 and thereafter filed their notice of appointment on 29 April 2015.

Vide letter dated 13 July 2015, the Defendant offered on a without prejudice basis, a sum of RM1,000,000.00 to the Plaintiff as full and final settlement of the matter to be payable by 4 equal monthly instalments of RM250,000.00 each beginning 31 July 2015 via post-dated cheques which was rejected by the Plaintiff where the Plaintiff via their letter dated 28 July 2015 only agreeable to accept full and final settlement in sum of RM1,500,000.00.

After several negotiations, the Plaintiff and the Defendant agreed to settle the matter for the amount of RM1,500,000.00 as full and final settlement for the matter ("Settlement Agreement") to be made via the following method:

1. RM500,000.00 ("Upfront Payment") made payable via cheque on or before 28 August 2015; and
2. The balance of RM1,000,000.00 made payable in 5 equal monthly installments via post-dated cheques ("Post-Dated Cheques") as follows:

| <u>No.</u> | <u>Date</u> | <u>Amount</u> |
|------------|-------------------|---------------|
| (i) | 28 September 2015 | RM200,000.00 |
| (ii) | 28 October 2015 | RM200,000.00 |
| (iii) | 28 November 2015 | RM200,000.00 |
| (iv) | 28 December 2015 | RM200,000.00 |
| (v) | 28 January 2016 | RM200,000.00 |

Cheques for the Upfront Payment and the Post-Dated Cheques have been forwarded to the Plaintiff on 28 August 2015 and Consent Judgment entered between the parties on 10 September 2015 ("Consent Judgment") which recorded the Settlement Agreement. As the last post-dated cheque has been cleared on 28 January 2016, the case is now closed.

- (ii) **Court of Appeal, Civil Appeal No. M-02-1925-2011**
ASC Engineering Sdn Bhd v Mohd Zahari Hassan Sdn Bhd
[Malacca High Court Suit No: MT2-22-186-2003
ASC Engineering Sdn Bhd v Mohd Zahari Hassan Sdn Bhd]

On 24 November 2003, ASC Engineering Sdn Bhd ("Plaintiff"), a wholly-owned subsidiary of MTDACPI, filed a Writ of Summons and Statement of Claim against Mohd Zahari Hassan Sdn Bhd ("Defendant") for the outstanding sum of RM2,251,000.00 for works done arising from the Contract of Water Supply Scheme, Selangor River, Phase 2 for the Development of 46 units Class G Quarters, 1 unit of surau and related works at Sungai Selangor Water Treatment Plant. The Defendant also filed a counterclaim for the sum of RM2,925,200.00 being alleged losses and damages suffered by the Defendant. On 5 February 2009, the Defendant filed an application for leave to issue Third Party Notice to include a third party into the proceeding.

The case went on for full trial on 20 December 2010 and 11 January 2011. On 14 June 2011, the Learned Judge held that:

- (a) the Plaintiff's claim to the extent of RM504,984.00 was allowed with costs;
- (b) the Defendant's counterclaim dismissed with costs;
- (c) the Defendant's claim against the Third Party dismissed with costs; and
- (d) all costs to be agreed on or taxed.

The Plaintiff filed a Notice of Appeal on 13 July 2011 for item (a) above and filed the Record of Appeal on 16 December 2011. The Defendant also filed a Notice of Appeal against the whole decision in dismissing its counterclaim and its claim against the third party.

On the hearing of the appeals on 27 June 2013, the Plaintiff's appeal was allowed to the extent of RM1,784,189.00 and the Defendant is to pay the said sum together with interest of 5% per annum from 26 October 2002 to the date of Judgment and thereafter to the date of full settlement plus costs of RM10,000.00. The Defendant's appeal was dismissed with costs of RM5,000.00, to be paid to the Plaintiff.

The Defendant has been wound up via Court Order dated 8 November 2013. Subsequently, the Plaintiff filed its Proof of Debt for a total amount of RM2,957,333.00 with the Melaka Insolvency Department on 7 February 2014.

Awaiting for Creditor's Meeting to be fixed by the Insolvency Department.

- (iii) **In the matter of an arbitration between MTD Construction Sdn Bhd and Kerajaan Malaysia**

MTD Construction Sdn Bhd ("Claimant"), a wholly-owned subsidiary of MTDACPI has entered into a formal contract ("Contract") with the Kerajaan Malaysia ("GOM" or "Respondent"), wherein the Claimant has been appointed by the GOM to undertake the design and construction of "Projek Jalan Raya Simpang Pulai-Lojing-Gua Musang ke Kuala Berang, Pakej 2 (dari Pos Selim, Perak Darul Ridzuan ke Ladang Blue Valley, Kampung Raja, Cameron Highlands, Pahang Darul Makmur)" ("Project"), subject to the terms and provisions of the Contract. Pursuant to an agreement between the Superintendent Officer ("S.O") of the Project (acting as the representative of the Respondent), the Claimant had provided a retention bond of RM14.1 million pursuant to a bank guarantee ("Retention Guarantee") in lieu of the retention monies to be withheld by the Respondent in accordance to the terms and provisions of the Contract. The Respondent had issued a demand notice to HSBC Bank Malaysia Berhad ("HSBC"), demanding the pay out of the Retention Guarantee on the grounds of breach of Contract by the Claimant and the Claimant had filed an application to restrain the GOM from making a demand for the Retention Guarantee and receive payment from HSBC for the said Retention Guarantee, and to restrain HSBC from releasing the money until the final disposal of the matter in respect of the Project. HSBC had paid out the Retention Guarantee to the Respondent following the judgment from the High Court on 15 March 2011.

The Claimant had filed an application for an injunction at the High Court to restrain among others, the Respondent from making a demand for the Retention Guarantee. The application for the injunction was heard on 18 February 2011 and the Learned Judge dismissed the application for the injunction with cost. An application for an injunction pending the hearing of the appeal was also dismissed by the Learned Judge.

In addition to the above, the S.O has continuously demanded the Claimant to rectify the slope at Chainage (Ch.) 26+000 of the Project which has shown distress.

In view of the foregoing and to safeguard the interest of the Claimant, the Claimant had on 14 June 2011 issued the Notice of Dispute and Notice of Arbitration pursuant to the provision of Clause 52 of the conditions of the Contract and required the matter to be referred to Arbitration for the disputes which is not limited to the following:

- (i) that the Respondent had wrongly demanded the paid out of the Retention Guarantee and that the amount so paid out of the Respondent on the Retention Guarantee ought to be refunded to the Claimant;
- (ii) that the S.O ought to issue a Certificate of Making Good Defects to the Claimant; and
- (iii) a declaration by the arbitral tribunal that the Claimant was not liable to rectify the distress on the slope at Ch.26+000 of the Project and the Claimant would not be responsible for any failures on any part of the Project.

On 9 August 2012, an Arbitrator has been appointed by the Kuala Lumpur Regional Centre of Arbitration.

The hearing of this matter had already begun since 17 September 2013 and few hearing dates had been fixed and proceeded up to 10 February 2014.

However the continued hearing of this matter had been postponed pending the disposal of Respondent's application to amend their Points of Defence which was filed on the 28 February 2014. Hearing for this application together with the Claimant's rebuttal was held on the 7 March 2014 and the Arbitrator accepted the Respondent's contentions to support its application vide order dated 14 March 2014 except on the issue of whether the Respondent's application is time barred. The Arbitrator had given further directions on 17 April 2014 for parties to file their respective affidavits and written submissions by 13 June 2014 and date for the oral submissions will be fixed by the Arbitrator. The Claimant vide its lawyer had thereafter requested for the filing of the documents to be deferred to 30 June 2014 due to the witness of the Claimant being on long medical leave post-surgery.

The Claimant's solicitor vide an email dated 17 November 2014 to the Arbitrator requesting the Arbitrator to reconsider his partial decision on the Respondent's application to amend its Defence and Counterclaim as the amendments concerns the addition of new dispute, i.e. the claim for the alleged failure at CH 23+650 – CH24 + 100 LHS; and the substantial increase in the quantum of the counterclaim. The Claimant's solicitor further state that the learned Senior Federal Counsel has confirmed that the counterclaim is by way of a counterclaim and not set-off. This is thus a new cause of action that has not previously been referred to and be part of the Arbitrator's jurisdiction. Further, the Claimant's notice of dispute which states "including but not limited to" should be construed as that from the Claimant's perspective.

The Arbitrator responded via his email dated 2 December 2014 that he had in his Order dated 14 March 2014, given his ruling on the issue of jurisdiction after considering all the issues raised by the parties. Hence he declined the Claimant's request to reconsider this Order.

On 9 February 2015, the parties agreed to proceed accordingly with the hearing of the matter proper. The Claimant requested for the time barred issue to be deliberated in the hearing proper and for the Arbitrator to decide this matter at the end of the arbitration proceeding. The Arbitrator handed out further directions as follows:

- (i) the Claimant to file in Reply to Amended Defence by 16 March 2015;
- (ii) the Respondent to file their reply to defence to counterclaim on 17 April 2015; and
- (iii) amended witness statement to be filed on 18 May 2015.

The Claimant's Amended Reply to Defence and Amended Defence to Counterclaim has been filed on 9 June 2015 and the matter had been fixed for continued hearing on 6, 7, 13 and 14 July 2015.

However, the Respondent only filed their Reply to Amended Reply to Defence and Amended Defence to Counter Claim on 3 July 2015. The Arbitrator upon agreement by both parties vacated the trial dates fixed on 6, 7, 13 and 14 July 2015.

At the meeting with the Arbitrator held on 20 October 2015, the following directions were given:

- (i) Additional Witness Statement of the Claimant and additional documents for the parties shall be filed on 1 December 2015;
- (ii) Continued hearing for factual witness was fixed on 21 and 22 December 2015 and continued on 21, 22 and 25 January 2016; and
- (iii) Hearing for expert witness was fixed on 29 February 2016 continued on 3, 10, 11 and 14 March 2016.

The continued hearing on 21 and 22 December 2015 however was vacated. The additional witness statement duly filed on 11 January 2016.

The cross-examination on Original Witness Statement (CWS1) had been concluded on 21 January 2016. The Arbitrator on the even date has provided direction as follows:

- (i) Original hearing dates of 22 and 25 January, 29 February and 11 March 2016 are vacated and the next tentative hearing dates have been fixed as 16, 17 and 18 February 2016. All dates in March fixed earlier are retained;
- (ii) Respondent to submit their witness statement on or before 5 February 2016; and
- (iii) Tentative hearing dates for expert witness is fixed on 18, 19, 25, 26 May 2016 replacing the earlier dates.

The continued hearing dates then proceeded on 16 and 17 February 2016 with the conclusion of testimonies given by the Claimant's factual witness and the hearing for the Respondent's factual witnesses to give their testimonies had been heard on 3, 4, 10, 11 and 28 March 2016 and was concluded on 4 April 2016.

Hearing for expert witnesses for both parties were fixed on 23, 24, 25 and 26 May 2016 and was concluded on 30 June 2016 marking the end of hearings of this Arbitration. The Arbitrator thereafter issued the following directions:

- (i) Claimant to submit its written submission on or before 30 September 2016;
- (ii) Respondent to submit its submission in reply on or before 31 December 2016;
- (iii) Any reply from the Claimant to Respondent's submission above to be submitted on or before 15 February 2017; and
- (iv) Decision will be delivered within 1 to 2 months thereafter.

(iv) **Kuala Lumpur High Court Civil Suit No: 22C-11-06/2013
Persys Sdn. Bhd. v Seri Meraga Construction Sdn Bhd**

On or about 20 December 2000, Seri Meraga Construction Sdn Bhd ("Defendant") was awarded a contract titled "Cadangan Merekabentuk, Membina, dan menyiapkan Jejambat di Laluan Persekutuan 6, Menghubungkan Bulatan Bayan Baru hingga Persimpangan Jalan Sultan Azlan Shah/Jalan Aziz Ibrahim, Pulau Pinang" ("Main Contract") by the Government of Malaysia. The Defendant's scope of work comprised of design, construction, completion and maintenance of the Main Contract works.

The Defendant thereafter appointed Persys Sdn. Bhd. ("Plaintiff") for the following subcontract works ("Subcontracts"):

- (i) Supply Contract No. SA9014 for the design and supply of precast segments to the Defendant; and
- (ii) Supply Contract No. SA9014E for the supply and delivery of an additional 304 viaduct segments.

The Plaintiff initiated this legal suit vide Writ of Summons and Statement of Claims dated 5 June 2013 and amended Writ of Summons and Statement of Claims dated 20 June 2013 against the Defendant due to the Defendant's failure/refusal/neglect to make payment of the above Subcontracts, for the following:

- (a) Final claim of RM10,591,506.00 and retention sum of RM1,485,000.00 under Sub-Contract SA9014; and
- (b) Final claim of RM3,927,891.00 and retention sum of RM692,500.00 under Sub-Contract SA9014E.

This matter was set for trial on 30 to 31 October 2013 and the trial continued on 9 December 2013.

On 5 February 2014, a winding up order was obtained by third party against the Defendant in Penang High Court. In view of the conclusion of a separate winding up proceeding initiated by third party against the Defendant and the issuance of Winding up Order thereto on 5 February 2014, Plaintiff have withdrawn the suit against the Defendant on 6 February 2014.

Subsequently, the Plaintiff had on 30 April 2014 filed its Proof of Debt to Insolvency Department.

Awaiting for Creditor's Meeting to be fixed by the Insolvency Department.

(v) **Shah Alam High Court Suit No. 22C-7-05/2014
Persys Engineering Sdn Bhd v Waterize Resources Sdn Bhd**

On 5 May 2014, Persys Engineering Sdn Bhd ("Plaintiff"), filed a Writ of Summons and Statement of Claim against Waterize Resources Sdn Bhd ("Defendant") for the outstanding sum of RM1,901,620.00 for works done arising from the Contract of Site Clearance, Earthworks, Retaining Walls, and Drainage Works for "Cadangan Pembangunan di Atas Lot 48731 (PT 45264), Mukim Petaling, Daerah Petaling, Selangor Darul Ehsan". The Defendant had also on 2 June 2014 filed a counterclaim for the sum of RM1,095,875.00 being alleged losses and damages suffered by them. The Reply to Defence and Counterclaim has been filed by Persys Engineering Sdn Bhd on 27 June 2014. On 27 June 2014, the Plaintiff proceeded with filing of Summary Judgment application.

The Court had on 10 October 2014 allowed the Summary Judgment for the sum of RM1,853,345.10 against the Defendant with costs of RM5,000.00 ("Order").

On 21 October 2014, the Defendant filed their notice of appeal to the Court of Appeal appealing for the Order ("Appeal") and the same has been fixed for hearing on 16 March 2015.

The Defendant then on 27 October 2014 proceeded to file stay of execution for the Order ("Stay of Execution") pending disposal of the counterclaim against the Plaintiff. As such, the Plaintiff filed application to strike out the Defendant's counterclaim ("Striking Out") on 12 November 2014. Both applications fixed for hearing on 23 January 2015.

On 23 January 2015, the learned Judge allowed the Striking Out with costs of RM2,500.00 and dismissed the Stay of Execution with costs of RM2,500.00 ("Orders").

In view of the Orders, the Defendant had on 6 March 2015 filed notice of discontinuance for the Appeal.

The Plaintiff had on 21 April 2015 and 18 May 2015 served statutory demand pursuant to Section 218 of the Companies Act 1965 to the Defendant.

As there was no response from the Defendant, the Plaintiff proceeded with winding up petition against the Defendant.

On the hearing dated 2 November 2015, the learned Judge has granted Plaintiff order in terms, as follows:

- a) that the Respondent (Defendant), Waterize Resources Sdn Bhd (Company No: 651159-H) be wound up;
- b) that the Director General of Insolvency be appointed as Liquidator of the Respondent (Defendant); and
- c) that the costs of this Petition of RM5,000.00 be paid out of the assets of the Respondent (Defendant).

The Proof of Debt has been filed on 15 December 2015 and awaiting for Creditors' Meeting to be fixed.

3. MATERIAL CONTRACTS

Safe as disclosed below, the Company nor its subsidiaries have entered into any material contracts, not being contracts entered into in the ordinary course of business of the Group, within two (2) years immediately preceding the date of this Circular:

- (i) On 4 August 2015, Associated Concrete Products (Malaysia) Sdn Bhd, a wholly-owned subsidiary of the Company had entered into a Sale and Purchase Agreement with Serba Wangi (Perak) Sdn Bhd for the disposal of the following assets at a total consideration RM15,105,000.00 [inclusive of 6% Malaysian Goods & Services Tax ("GST")]:
 - (a) Three (3) plots of freehold industrial land held under Geran 30196, Lot 47084, Geran 30197, Lot 47085 and sub-divided portion of Geran 24102, Lot 23528, Mukim Hulu Kinta, District of Kinta, State of Perak Darul Ridzuan together with buildings and factory structure erected thereon for a consideration of RM12,985,000.00 (inclusive of 6% GST); and
 - (b) All plant and machinery fixed to the aforesaid buildings and factory structure for a consideration of RM2,120,000.00 (inclusive of 6% GST).
- (ii) On 29 June 2016, ACP Marketing Sdn Bhd, an indirect wholly-owned subsidiary of the Company had entered into a Sale and Purchase Agreement with Kong Hwee Iron Works & Construction (M) Sdn Bhd for the disposal of a parcel of vacant industrial land held under H.S.(D) 23583, Lot No. PTD 8783, Mukim of Senai, District of Kulaijaya, Johor Darul Takzim measuring approximately 261,360 square feet, for a total cash consideration RM5,540,832.00 [inclusive of 6% GST].

4. DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the Registered Office of the Company at 1, Jalan Batu Caves, 68100 Batu Caves, Selangor Darul Ehsan during normal business hours on Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the 23rd AGM:

- (i) Memorandum and Articles of Association of MTDACPI;
- (ii) Audited financial statements of MTDACPI for the past two (2) financial years ended 31 March 2015 and 31 March 2016;
- (iii) The relevant cause papers in respect of material litigation referred to in Section 2 above; and
- (iv) Material contracts referred to in Section 3 above.