

BUSINESS CLIMATE

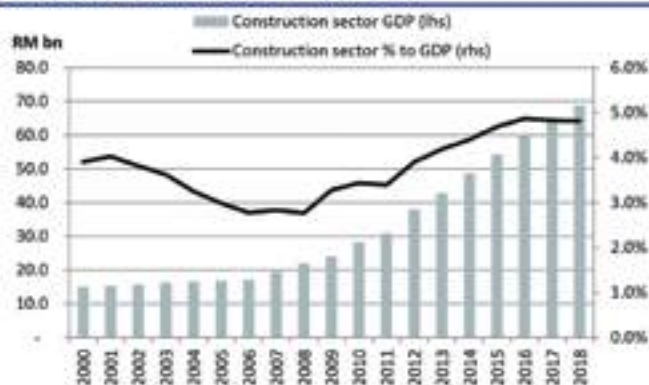
Domestic contract awards rose by 4% on a year to year basis amounting to RM4.8 billion in the first quarter of 2019. The rising number of contracts awarded in the construction industry indicates a better outlook as the government moves towards the completion in streamlining all existing mega projects. Job awards increased mainly due to the resumption of major infrastructure projects which was put on hold initially. The revival of the East Coast Rail Link project and the approval of high impact projects under the midterm review of the 11th Malaysia Plan, has helped to reignite the domestic construction industry. The Sarawak RM9 billion development expenditure under the 2019 state budget is another booster to further revive and alleviate the reduced federal government spending. The government is proceeding with the East Coast Railway Link (ECRL) with a lower value of RM44bn for Phase 1 and 2 (vs RM66bn previously). This will still translate into a 10% increase in orderbook replenishment opportunity for locals to RM22bn in spite of the lower value.



Source: Bloomberg Finance

With the recovery in share prices, valuations have re-rated from the lows of -2SD below mean and are currently at 12 times, which are still compelling. But the premium pre-GE14 (14th General Election) valuations of +2SD will be a thing of the past given the pressure on margins as competition intensifies. The revival of the ECRL, Klang Valley Double Tracking Project, a slew of projects in Sarawak (Coastal road, second trunk road, hospital and water projects) represents another strong avenue for contractors to replenish their orderbook before projects such as the High Speed Rail, PTMP and MRT 3 continue in 2020/2021.

Construction Sector GDP and % to GDP



Government Development Expenditure



Source: Bank Negara Malaysia, Department of Statistics Malaysia

Malaysia's construction sector recorded RM35.9 billion of work done in second quarter of 2019. The value of construction work done in the second quarter 2019 recorded a growth of 0.8% year-on-year, amounting to RM35.9 billion (Q1 2019: RM37.4 billion). The expansion in value of construction work done was driven by positive growth in Civil engineering sub-sector with 8.2% and Special trades activities sub-sector with 5.9%. However, the Residential buildings sub-sector and Non-residential buildings sub-sectors suffered deficit of 1.1% and 9.3% respectively. The Civil engineering sub-sector remained as the key contributor to the total construction work done with 44.8%, followed by Non-residential buildings (25.3%), Residential buildings (24.5%) and Special trades activities (5.4%). The private sector continued to propelled the construction activity with 55.2% (RM19.8 billion) as compared to the public sector with 44.8% (RM16.1 billion).

The Value of Construction work done in Q2 2019 grew by

↑ **0.8%**

(Q1 2019 : 0.7%)

RM 35.9 billion

2018
(Q1 - Q2)

72.7

5.6%

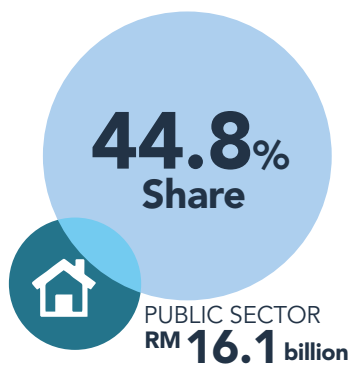
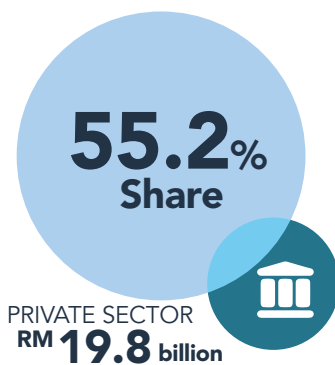
VALUE OF WORK DONE
(RM billion)

GROWTH

2019
(Q1 - Q2)

73.3

0.8%



The private sector dominates 55.2% as compare to 44.8% of the public sector

BUSINESS OPPORTUNITIES

Affordable Homes For Communities

Latching on our business philosophy of building affordable homes, premise on the principle that sustainable community residential should be planned and built with the community and environment in mind. We focus on the preservation of the natural topography and incorporate well-planned, multi-functional natural features to ensure the sustainability of the natural environment. To this end, we have launched Program Perumahan Rakyat (PPR), a pledge to biodiversity enhancement and to strengthen our commitment to creating sustainable ecosystems for our developments. We are working in partnership with local municipal councils to ensure a holistic approach to this initiative, including a formulation of environmental cultivation and conducting a biodiversity review to ensure sustainability of flora and fauna in our developments. In the last twelve months, Vizione has launched four new PPR developments, with a total Gross Development Value of RM300 million. As the property market remains buoyant, we expect a continuous trend of strong sales for the year ahead and will seek to replenish our book order to further expand in this market. Backed by the success of our various PPR developments in Malaysia, we look forward to strengthening our market presence in the region with our innovative offerings.



Lahad Datu PPR



Kota Setar PPR

Kota Belud PPR



Penang Infrastructure

Building good and sustainable public transportation networks that enhance intercity and intracity connectivity is of pinnacle importance in nation development. The Penang Transport Master Plan (PTMP) project that consists of a Light Rail Transit (LRT) system, new highways and reclamation of land in the south of Penang Island is an extremely great opportunity. The PTMP is a comprehensive economic transformation masterplan that delivers new land for the state. This prepares Penang for the future that will enable the primary growth engines for long term sustainability. With this new liveable environment, it will improve the quality of life by providing affordable housing, public amenities and recreational spaces such as beaches, parks and waterfront.

On August 14, 2018, Vertice Berhad and Vizione announced an agreement to incorporate a JV company ("JVA") of fifty percent (50%) respectively. Consortium Zenith, which is 13.2% owned by Vertice Berhad, had in 2012 participated in an open tender by the Penang state government and were among 60 companies that had placed their bids for the mega infrastructure project. Consortium Zenith was awarded the contract due to its competent technical and competitive financial bid of RM6.3 billion that comprised of:



Penang Transport Master Plan

Package 1:

Major Road 1 - a paired road to the existing Northern Coastal Road from Tanjung Bungah to Teluk Bahang

Package 2:

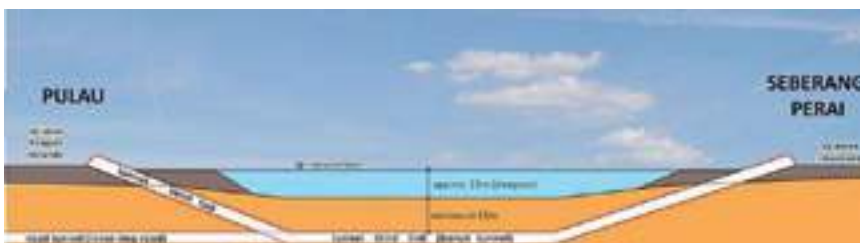
Major Road 2 - a by-pass from Bandar Baru Ayer Itam connecting to Lebuhraya Tun Dr Lim Chong Eu

Package 3:

Major Road 3 - a by-pass from Persiaran Gurney connecting to Lebuhraya Tun Dr Lim Chong Eu

Package 4:

Penang Undersea Tunnel - the design, construction, operation, management and maintenance of a third link (undersea tunnel) from Penang Island (Persiaran Gurney) to the mainland (Seberang Perai North District)



The Penang mega infrastructure project was an initiative by the state government to relieve the traffic congestion on the island with the proposed alternative routes, interconnecting roads, by-passes and interchanges, including tunnels within the island and to the mainland. With the construction of the four packages, the traffic congestion in Penang is expected to be relieved.

The joint venture with Vertice Bhd has won a RM815 million contract from Consortium Zenith Construction Sdn Bhd for a project on Penang island. The contract is for the construction of a bypass from Bandar Baru Ayer Itam to Lebuhraya Tun Dr Lim Chong Eu. It comes under Package 2 of the RM6.3 billion Penang undersea tunnel project which will connect the island to the mainland. Vizione has already bid for some Public Works Department road projects and plans to be more aggressive in this area going forward.

The first phase of Penang's tunnel project worth RM6.34bil is set to kickstart construction by end October 2019. The RM6.34bil project owned by the Penang state government will consist of three toll free roads and a tolled tunnel. The first phase of the project is the 5.7km Ayer Itam-Lebuhraya Tun Dr Lim Chong Eu bypass. The cost of the first out of three roads where construction would start in October is estimated at RM1.07bil. The construction cost of the Ayer Itam-Lebuhraya Tun Dr Lim Chong Eu bypass will be RM851.04 million and the land acquisition will cost another RM220 million.

Consortium Zenith will receive 110 acres of reclaimed land progressively and a toll concession for the tunnel as payment for the entire project. Of the total RM6.34 billion price tag, a total of RM305 million is estimated for the feasibility study and detailed design, RM546 million for land acquisition and RM5.49 billion for construction.

Large Scale Solar Photovoltaic Plants

There is a pressing need to accelerate the development of advanced energy technologies in order to address the global challenges of clean energy, climate change and sustainable development. To achieve the necessary reductions in energy related CO₂ emissions, the government has developed a series of global technology roadmaps, under international guidance and in close consultation with industry players.

Solar energy is widely available throughout the world and can contribute to reduced dependence on fossil energy. As it entails no fuel price risk or constraints, it also improves security of supply. Solar power enhances energy diversity and hedges against price volatility of fossil fuels, thus stabilising costs of electricity generation in the long term. Solar Photovoltaic entails no greenhouse gas (GHG) emissions during operation and does not emit other pollutants (such as oxides of sulphur and nitrogen); additionally, it consumes no or little water. As local air pollution and extensive use of fresh water for cooling of thermal power plants are becoming serious concerns in hot or dry regions, these benefits of solar Photovoltaic become increasingly important. A solar farm is an arrangement of a large number of solar panels which convert light energy from the sun into electrical energy without the use of any fuels. They are similar to centralized power plants, capable of generating electricity based on any amount of energy demand.

Vizione Holdings Bhd has inked a Memorandum of Collaboration with Engineering Protocol Sdn Bhd ("EPSB") for a potential joint investment to bid for the third round of the Large Scale Solar Photovoltaic Plants project which is worth RM2 billion. The solar photovoltaic plant of generate up to 60MW and will be Vizione's maiden venture into the renewable energy industry by 2020. The project was initiated with the aim to reduce Malaysia's dependency on fossil fuel. The Government targets for 20% of the country's energy to be generated from renewable sources by 2025. EPSB specialises in water reticulation design, civil construction, project management and non-revenue water consultancy services.

