GADANG HOLDINGS BERHAD

199301023376 (278114-K)

MOVING FORWARD WITH RESILIENCE

ANNUAL REPORT 2020

CIVIL ENGINEERING & BUILDING CONSTRUCTION

Gadang Engineering (M) Sdn Bhd (GESB) was established since 1980. It is a wholly-owned subsidiary of Gadang Holdings Berhad (Gadang). It is a registered G7 contractor with Construction Industry Development Board (CIDB) which has been awarded with five-star SCORE rating in March 2019. GESB also obtained Sijil Perolehan Kerja Kerajaan (SPKK) from CIDB.

GESB has ISO 9001:2015 Quality Management System certification for the scope of civil engineering and building construction, ISO 14001:2015 Environmental Management System certification, ISO 45001:2018 and MS 1722:2011 Occupational Health and Safety Management System certifications.

Over three decades, GESB has successfully undertaken numerous projects from both the government and private sectors.

For more information, please scan the QR code.

MRT Line 2 - Package V206

PROPERTY DEVELOPMENT

Gadang Land Sdn Bhd (GLSB) is the property development arm of Gadang. GLSB was established on 25th July 1996.

Its maiden project comprised 30 units of semi-detached factories in Shah Alam. Thereafter GLSB has grown leaps and bounds by venturing into various types of developments such as terrace houses, semi-detached houses, apartments, luxury condominiums, detached factories, shop office suites and serviced apartments located mainly in the Klang Valley region.

Over the years, GLSB has built a solid reputation as a property developer that prides itself in providing quality residential and commercial properties to its customers. It continues to expand its land bank and is committed to build products that meet the needs and lifestyle of the market.

For more information, please scan the QR code.

Club House, Maple Residence @ Laman View

UTILITY

Utility is envisaged by Gadang to be a sector with good potential for development and long term growth.

In 2005, Gadang, through Asian Utilities Pte Ltd (AUPL) acquired its first water concession in Sidoarjo, East Jawa, Indonesia. To date, AUPL owns one mini-hydro power concession and four water concessions in Indonesia with a total water production nearing to 1,100 litre/second.

Moving forward, the Division actively seeks business opportunities and expansion in water business and power generation within Asia region by exploring and inspiring potential in partnership and engagement. The Division will also focus on quality improvement to strive for its valued customer satisfaction.

For more information, please scan the QR code.

Aerial view of water treatment plants of PT. Hanarida Tirta Birawa and PT. Taman Tirta Sidoarjo

MECHANICAL & ELECTRICAL ENGINEERING

Datapuri Sdn Bhd (Datapuri) was formed in 1997 to undertake and enhance the engineering services of Gadang Group, especially for mechanical and electrical.

At present, Datapuri is an accredited class "A" electrical contractor registered with Suruhanjaya Tenaga Malaysia and has a Grade "7" registration with CIDB.

Datapuri's scope includes high voltage and low voltage electrical works, air conditioning and ventilation, fire protection and plumbing and sanitary services.

For more information, please scan the QR code.

Solar power project at Wisma Gadang

VISION

To be the preferred leader in all our core businesses, recognised for our high standards and commitment to excellence

MISSION

- To perpetually pursue value for all our stakeholders
- To build an effective management team that emphasises on productivity and innovation
- To drive a holistic approach to business management, incorporating Economic, Environmental, Social and Governance considerations alongside financial ones, to support business continuity and competitiveness over the long term

TOTAL REVENUE (RM'000)

673,056

in FYE2020 as compared to 687,693 in FYE2019

MSB Room @ PNB Project

PBT (RM'000)

59,332

in FYE2020 as compared to 71,723 in FYE2019

Demag CC8800-1, 1600 tonne capacity crane @ TRX C9

Maple Residence @ Laman View

REVENUE (RM'000)

492,475

for Civil Engineering & Building Construction in FYE2020

REVENUE (RM'000)

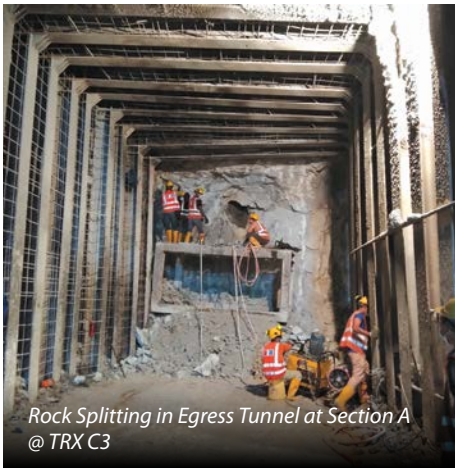
24,445

for Utility in FYE2020

REVENUE (RM'000)

156,136

for Property Development in FYE2020



Rock Splitting in Egress Tunnel at Section A @ TRX C3

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COVER RATIONALE

In light of the adversity brought about by the unprecedented Covid-19 pandemic, and prevailing economic and political uncertainties, it becomes all the more important for Gadang to remain resilient. Resilience does not mean an absence of problems, but rather the ability to recover quickly from difficult conditions. It requires being open and flexible, with a willingness to adapt to change.

Gadang will continue to focus and strengthen its core businesses, and will respond decisively to the ever-changing external operating environment to tide through the current challenges.

27th ANNUAL GENERAL MEETING

Ballroom 3,
First Floor, Sime Darby Convention Centre

Wednesday,
11 November 2020

10.00 a.m.

Scan the QR Code for a softcopy of the Annual Report

Corporate Profile

Gadang Holdings Berhad (Gadang or the Company) was incorporated in Malaysia on 6 October 1993 as a public limited company under the name of Lai Sing Holdings Berhad. It was listed on the Second Board of Bursa Malaysia Securities Berhad on 2 September 1994 under the Construction Sector.

Subgrade works for East Coast Rail Link Project

In 1997, Tan Sri Dato' Kok Onn who is the Managing Director cum Chief Executive Officer became the major shareholder and took over the operations of the Company and renamed the Company as Gadang. Gadang was subsequently transferred to the Main Board (currently named as Main Market) under the same sector on 24 December 2007.

Gadang is an investment holding company while its subsidiaries are in civil engineering and construction, property development, water supply and mechanical and electrical engineering services. As part of the Group's strategy to gain a stronger footing in business with recurring and sustainable income, the Group has made inroads into hydro power generation in 2014 by acquiring 60% stake in PT Ikhwan Mega Power, the holder of a 9 megawatt hydro power concession in Kabupaten Tanah Datar, Sumatera Barat for a period of 15 years.

Aerial view on construction of 9MW Mini-hydro Power Plant waterway

Vitis, The Vyne @ Salak South

Elegan Residensi @ Putra Perdana, Puchong

Financial Calendar

For Financial Year Ended 31 May 2020

ANNOUNCEMENT OF QUARTERLY RESULTS			
1st	2nd	3rd	4th
23 October 2019 First Financial Quarter ended 31 August 2019	**22 January 2020** Second Financial Quarter ended 30 November 2019	**14 May 2020** Third Financial Quarter ended 29 February 2020	**29 July 2020** Fourth Financial Quarter ended 31 May 2020

PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS	
29	11
29 September 2020 Notice of 27th Annual General Meeting	**11 November 2020** 27th Annual General Meeting

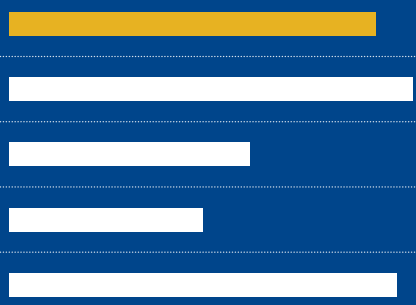
Financial Highlights

YEAR ENDED 31 MAY	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
REVENUE					
Construction	492,475	479,546	378,131	286,623	480,609
Property Development	156,136	184,919	193,826	244,176	172,021
Utility	24,445	23,228	22,814	23,067	20,900
Investment Holding and Others	-	-	-	-	-
	673,056	687,693	594,771	553,866	673,530
Plantation (discontinued)	-	-	235	2,672	1,874
	673,056	687,693	595,006	556,538	675,404
PROFIT/(LOSS) BEFORE TAXATION					
Construction	33,716	40,940	84,728	83,056	71,482
Property Development	36,175	39,237	66,957	62,837	52,928
Utility	4,903	7,005	60	4,651	5,614
Investment Holding and Others	(15,462)	(15,459)	(17,643)	(8,990)	(3,947)
	59,332	71,723	134,102	141,554	126,077
Plantation (discontinued)	-	-	(155)	(2,952)	(1,574)
	59,332	71,723	133,947	138,602	124,503
PROFIT AFTER TAXATION	35,654	44,141	98,400	100,606	94,702
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	35,463	44,061	98,387	100,116	94,767
ISSUED SHARE CAPITAL	389,521	338,380	338,380	331,678	258,623
SHAREHOLDERS' FUNDS	814,061	733,836	706,815	623,621	529,103
TOTAL TANGIBLE ASSETS	1,756,144	1,768,231	1,687,331	1,408,507	1,205,134
NET EARNINGS PER SHARE (sen)	4.89	6.66	14.94	15.90*	40.94
NET ASSETS PER SHARE (RM)	1.12	1.11	1.07	0.95*	2.05

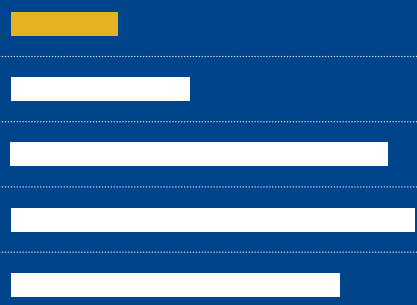
* *The Company has implemented a share split and bonus issue of shares which was completed on 28 November 2016.*

Financial Highlights

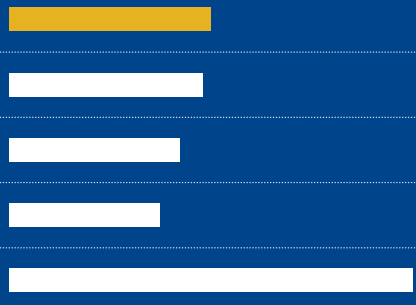
Revenue (RM'000)



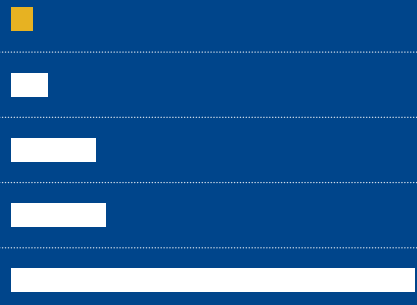
Profit Before Taxation (RM'000)



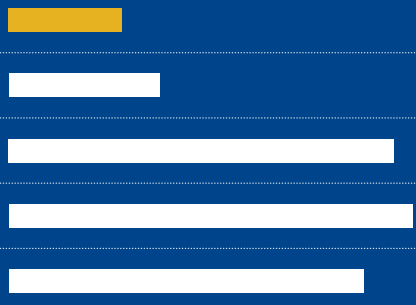
Net Assets Per Share (RM)



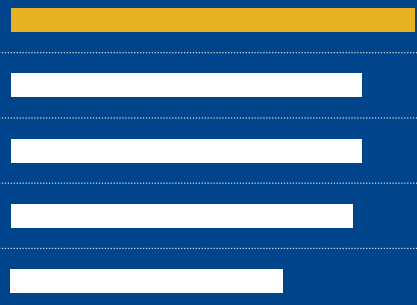
Net Earnings Per Share (sen)



Profit Attributable to Shareholders (RM'000)



Issued Share Capital (RM'000)



* *The Company has implemented a share split and bonus issue of shares which was completed on 28 November 2016.*

Corporate Structure

GADANG HOLDINGS BERHAD

PROPERTY INVESTMENT AND DEVELOPMENT

- 100% Achwell Property Sdn Bhd
- 100% Mandy Corporation Sdn Bhd
- 100% Gadang Land Sdn Bhd
  - 100% Gadang Properties Sdn Bhd
    - 100% Buildmark Sdn Bhd
  - 100% Noble Paradise Sdn Bhd
  - 100% Damai Klasik Sdn Bhd
  - 100% Magnaway Sdn Bhd
  - 100% Splendid Pavilion Sdn Bhd
  - 100% Sama Pesona Sdn Bhd
  - 100% City Version Sdn Bhd
  - 100% Natural Domain Sdn Bhd
  - 100% Crimson Villa Sdn Bhd
  - 100% Flora Masyhur Sdn Bhd
    - 100% Camar Ajaib Sdn Bhd
  - 100% Skyline Symphony Sdn Bhd
  - 100% Hillstrand Development Sdn Bhd
  - 100% Detik Tiara Sdn Bhd
  - 100% Prelude Avenue Sdn Bhd
  - 100% Tema Warisan Sdn Bhd
  - 100% Special Courtyard Sdn Bhd
  - 100% Elegance Sonata Sdn Bhd

ENGINEERING AND CONSTRUCTION

- 100% Gadang Engineering (M) Sdn Bhd
  - 100% Gadang Construction Sdn Bhd
  - 100% Bincon Sdn Bhd
  - 100% Kartamo Corporation Sdn Bhd
  - 100% Katah Realty Sdn Bhd
  - 100% Era Berkat Sdn Bhd
  - 51% Gadang CRFG Consortium Sdn Bhd*
  - 100% Yi Sheng Foundation Pte Ltd

UTILITY

- 100% Regional Utilities Sdn Bhd
  - 100% Asian Utilities Pte Ltd
    - 95% PT. Taman Tirta Sidoarjo
    - 95% PT. Hanarida Tirta Birawa
    - 95% PT. Bintang Hytien Jaya
    - 60% PT. Ikhwan Mega Power
    - 95% PT. Dewata Bangun Tirta
    - 80% PT. Hidronusa Rawan Energi
  - 100% PT. Asian Utilities Indonesia
  - 70% Nusantara Suriamas Sdn Bhd

MECHANICAL AND ELECTRICAL WORKS

- 100% Datapuri Sdn Bhd
  - 45% Zeta Datapuri JV Sdn Bhd*

** Joint Venture*
Dormant companies are not included here

Corporate Information

BOARD OF DIRECTORS

TAN SRI DATO' SERI DR. MOHAMED ISMAIL BIN MERICAN
Chairman and Independent Non-Executive Director

TAN SRI DATO' KOK ONN
Managing Director cum Chief Executive Officer

KOK PEI LING
Executive Director / Chief Financial Officer

BOEY TAK KONG
Senior Independent Non-Executive Director

HUANG SHI CHIN
Independent Non-Executive Director

AUDIT COMMITTEE

Boey Tak Kong (Chairman)
Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican
Huang Shi Chin

NOMINATION & REMUNERATION COMMITTEE

Boey Tak Kong (Chairman)
Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican
Huang Shi Chin

BOARD RISK COMMITTEE

Huang Shi Chin (Chairman)
Boey Tak Kong
Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican

SECRETARY

Tan Seok Chung, Sally
SSM PC No. 202008001386
MAICSA 0829689

REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS

Wisma Gadang, No. 52, Jalan Tago 2
Off Jalan Persiaran Utama
Sri Damansara
52200 Kuala Lumpur
Tel. : (03) 6279 6288
Fax. : (03) 6279 6376
E-mail : corporate@gadang.com.my
Website : www.gadang.com.my

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel. : (03) 2783 9299
Fax. : (03) 2783 9222
E-mail : is.enquiry@my.tricorglobal.com

AUDITORS

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel. : (03) 2788 9999
Fax. : (03) 2788 9998

PRINCIPAL BANKERS

Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Public Bank Berhad
United Overseas Bank (Malaysia) Berhad

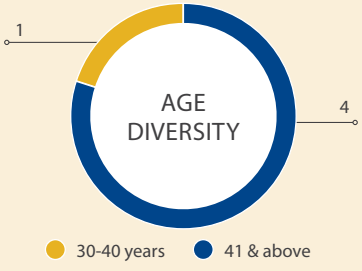
STOCK EXCHANGE LISTING

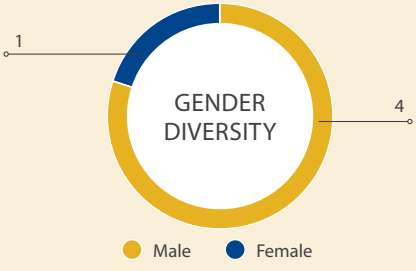
Main Market of Bursa Malaysia Securities Berhad

Stock Name : GADANG (Ordinary Shares)
: GADANG-WB (Warrants)
Stock Code : 9261 (Ordinary Shares)
: 9261WB (Warrants)
Stock Sector : Construction

Board of Directors

BOARD COMPOSITIONS





BOARD OF DIRECTORS:

1. Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican
2. Tan Sri Dato' Kok Onn
3. Boey Tak Kong
4. Kok Pei Ling
5. Huang Shi Chin

Profile of Directors

TAN SRI DATO' SERI DR. MOHAMED ISMAIL BIN MERICAN

Chairman
Independent Non-Executive Director

72 years old | Male | Malaysian

DATE OF APPOINTMENT

1 December 2016

MEMBERSHIP OF BOARD COMMITTEES

- Member of the Audit Committee
- Member of the Nomination & Remuneration Committee
- Member of the Board Risk Committee

LENGTH OF SERVICE (AS AT 31 MAY 2020)

3 years 6 months

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor of Medicine, Bachelor of Surgery (MBBS), University of Malaya
- Fellow of the American College of Physicians (F.A.C.P) (Hons, US)

WORKING EXPERIENCE

- Director-General (DG) of Health of Malaysia (2005 till 2011)
- President of the Malaysian Medical Council
- Member of the Promotion Board of the Malaysian Civil Service
- Member of the Board of Directors of the National Heart Institute
- Chairman of the National Committee for Clinical Research
- Chairman of Drug Control Authority
- Chairman of National Poisons Board
- Chairman of Medicine Advertisement Board
- Chairman of Pharmacy Board

OTHER DIRECTORSHIP(S) IN PUBLIC COMPANIES AND LISTED ISSUERS

Nil

NUMBER OF BOARD MEETINGS ATTENDED IN FINANCIAL YEAR ENDED 31 MAY 2020

TAN SRI DATO' KOK ONN

Managing Director cum Chief Executive Officer

69 years old | Male | Malaysian

DATE OF APPOINTMENT

- 10 March 1997 as Joint Managing Director
- 2 September 1997 as Managing Director cum Chief Executive Officer

MEMBERSHIP OF BOARD COMMITTEES

Nil

LENGTH OF SERVICE (AS AT 31 MAY 2020)

23 years 3 months

WORKING EXPERIENCE

Prior to joining the Company, he was the Group Chief Executive Officer of Bridgecon Holdings Berhad ("Bridgecon"). He was also the founder of Bridgecon Engineering Sdn Bhd ("BESB"), the wholly-owned subsidiary of Bridgecon. The track record of BESB was used to list Bridgecon on the Second Board of the Bursa Malaysia Securities Berhad on 16 November 1994.

His exposure in the construction industry began in 1972 and has been involved in the industry for more than 48 years. He has gained extensive knowledge and experience in most aspects of civil and structural engineering schemes with various projects in Malaysia, China, Middle East and South Africa.

He was also the person who transformed Bridgecon from a pure construction company to activities involving manufacturing and supply of readymixed concrete, concrete pumping, quarrying, property and resort development and on international aspect where he spearheaded Bridgecon's venture into three toll expressway operations in the People's Republic of China.

OTHER DIRECTORSHIP(S) IN PUBLIC COMPANIES AND LISTED ISSUERS

Nil

NUMBER OF BOARD MEETINGS ATTENDED IN FINANCIAL YEAR ENDED 31 MAY 2020

BOEY TAK KONG

Senior Independent Non-Executive Director

66 years old | Male | Malaysian

DATE OF APPOINTMENT

3 December 2007

MEMBERSHIP OF BOARD COMMITTEES

- Chairman of the Audit Committee
- Chairman of the Nomination & Remuneration Committee
- Member of the Board Risk Committee

LENGTH OF SERVICE (AS AT 31 MAY 2020)

12 years 6 months

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Chartered Accountant, Malaysian Institute of Accountants
- Fellow, Chartered Association of Certified Accountants, United Kingdom
- Associate, Institute of Chartered Secretaries & Administrators, United Kingdom
- Member, Institute of Marketing Malaysia
- Member, Malaysian Institute of Management

WORKING EXPERIENCE

He is the Managing Director of Terus Mesra Sdn Bhd, a leadership and governance training company and a certified trainer accredited by HRDF. He has over 23 years of board-based senior financial management, internal audit and overseas business development experience with 6 major public listed groups with listings in Malaysia, United Kingdom, Singapore, Australia and New Zealand.

OTHER DIRECTORSHIP(S) IN PUBLIC COMPANIES AND LISTED ISSUERS

- Censof Holdings Berhad
- Ho Hup Construction Company Berhad
- IJM Plantations Berhad

NUMBER OF BOARD MEETINGS ATTENDED IN FINANCIAL YEAR ENDED 31 MAY 2020

KOK PEI LING

Executive Director
Chief Financial Officer

38 years old | Female | Malaysian

DATE OF APPOINTMENT

2 January 2013

MEMBERSHIP OF BOARD COMMITTEES

Nil

LENGTH OF SERVICE (AS AT 31 MAY 2020)

7 years 5 months

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor of Commerce (Finance and Management), University of Melbourne, Australia

WORKING EXPERIENCE

She began her career as a consultant for Corporate Recovery and Insolvency in BDO Capital Consultants Sdn Bhd from April 2004 to June 2006. She then joined OSK Investment Bank Berhad as an Associate for Debt Capital Markets from June 2006 to May 2007. Prior to joining the Company in September 2009, she was the Assistant Manager (Investment Banking) of OCBC Bank (M) Berhad.

OTHER DIRECTORSHIP(S) IN PUBLIC COMPANIES AND LISTED ISSUERS

Nil

NUMBER OF BOARD MEETINGS ATTENDED IN FINANCIAL YEAR ENDED 31 MAY 2020

Profile of Directors

HUANG SHI CHIN

Independent Non-Executive Director

62 years old | Male | Malaysian

DATE OF APPOINTMENT

1 August 2017

MEMBERSHIP OF BOARD COMMITTEES

- Member of the Audit Committee
- Member of the Nomination & Remuneration Committee
- Chairman of the Board Risk Committee

LENGTH OF SERVICE (AS AT 31 MAY 2020)

2 years 10 months

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Member of the Institute of Chartered Accountants, England & Wales
- Chartered Accountant of the Malaysian Institute of Accountants

WORKING EXPERIENCE

An Accountant by profession, Mr Huang previously worked for a well-known FMCG public listed company in Malaysia for over 21 years, first as its Finance Director and later Corporate Affairs Director. He also served as an Executive Director on its Board for nine years.

He has extensive experience in financial reporting, risk management, regulatory framework, as well as in corporate affairs & communication and human capital development & management.

Prior to that he worked in public accounting firms, including two of the leading public accounting firms in Malaysia, specialising in audit and due diligence.

OTHER DIRECTORSHIP(S) IN PUBLIC COMPANIES AND LISTED ISSUERS

Nil

NUMBER OF BOARD MEETINGS ATTENDED IN FINANCIAL YEAR ENDED 31 MAY 2020

OTHER INFORMATION ON DIRECTORS

Save as disclosed, none of the Directors have:-

1. any family relationship with any Director and/or major shareholder of the Company, except for Tan Sri Dato' Kok Onn who is the father of Kok Pei Ling, the Executive Director and spouse of Puan Sri Datin Chan Ngan Thai, a major shareholder of the Company;
2. any conflict of interest with the Company;
3. any conviction for offences within the past 5 years; and
4. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2020.

Profile of Key Senior Management

DATO' CHAN AH KAM

Head of Group Legal & Contract, Gadang Holdings Berhad

67 years old | Male | Malaysian

DATE APPOINTED AS KEY SENIOR MANAGEMENT

15 December 1997

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor of Engineering (Hons) in Civil Engineering, University of Malaya
- Registered Professional Engineer with the Board of Engineers, Malaysia
- Member of the Institution of Engineers, Malaysia

WORKING EXPERIENCE

He joined the Board of Gadang Engineering (M) Sdn Bhd, the Construction Division of the Group on 15 December 1997. He was the Executive Director of Gadang Holdings Berhad from February 2001 until February 2009. Previously with Bridgecon Engineering Sdn Bhd ("BESB"), he was the Assistant General Manager for Penang Operations, overseeing and monitoring the operations on the Northern Region of Malaysia. Prior to that, he was attached to the consultant engineering firm, Hashim & Neh Jurutera Perunding Sdn Bhd in Lumut Naval Base, Perak. From 1977 to 1985, he was working with the Government of Malaysia under Jabatan Kerja Raya and Ministry of Defence.

KHEW CHECK KIET

Managing Director, Gadang Engineering (M) Sdn Bhd (Construction Division)

60 years old | Male | Malaysian

DATE APPOINTED AS KEY SENIOR MANAGEMENT

13 June 2011

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor of Science College of Engineering (Civil Engineering), Mississippi State University, United States
- Bachelor of Science (Mathematics and Business Administration in Banking & Finance), Northwestern Oklahoma State University, United States

WORKING EXPERIENCE

He was appointed as Deputy Managing Director of Gadang Engineering (M) Sdn Bhd on 2 September 2008 and was redesignated as Managing Director on 13 June 2011.

Previously with MTD Construction Sdn Bhd, he was the Planning and Utilities Engineer, responsible on planning, managing and implementation and also coordinating the various sequence of works until his promotion as a Project Manager in 1991. Thereafter, he was attached to MTD Equity Sdn Bhd from 1998 to December 2001 as a Business Development Manager cum Alternate Director, based in Chile, and as a Deputy General Manager with MTD Prime Sdn Bhd from 2002 to August 2008.

Profile of Key Senior Management

SAW CHEE HOAY

Executive Director/Head of Tender & Contract,
Gadang Engineering (M) Sdn Bhd (Construction Division)

66 years old | Male | Malaysian

DATE APPOINTED AS KEY SENIOR MANAGEMENT

2 August 2000

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor of Science in Civil Engineering, National Taiwan University, Republic of China

WORKING EXPERIENCE

Previously, he was attached to Mitsui Construction Company and Bridgecon Engineering (M) Sdn Bhd.

He has extensive pre-contract and post-contract experience in costing and contract administration in highway, bridges, dam, power station and also commercial and residential building construction.

YU KANG HUAI

Chief Operating Officer, Gadang Land Sdn Bhd
(Property Division)

48 years old | Male | Malaysian

DATE APPOINTED AS KEY SENIOR MANAGEMENT

1 September 2020

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor of Engineering (Hons) in Civil Engineering, University of Teknologi Malaysia

WORKING EXPERIENCE

He joined Gadang Land Sdn Bhd in 2010 as Senior Project Manager. He was subsequently promoted as General Project Manager in 2014 and Chief Operating Officer in charge of the Property Division of the Group in 2017.

He has more than 24 years of experience in the property industry. Previously, he was attached to TY LIN International Sdn Bhd, Mahajaya Berhad and Permatanah Sdn Bhd.

LIEW SWEE KONG

Managing Director, Datapuri Sdn Bhd
(Mechanical & Electrical Division)

48 years old | Male | Malaysian

DATE APPOINTED AS KEY SENIOR MANAGEMENT

1 November 2012

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor in Electrical Engineering, University of Teknologi Malaysia

WORKING EXPERIENCE

He started his career with KTA Tenaga Sdn Bhd as Mechanical and Electrical Consulting Engineer. Subsequently, he joined Gadang Engineering (M) Sdn Bhd as Project Manager in September 2000 before he was appointed as Director of Datapuri Sdn Bhd, the Mechanical & Electrical Division of the Group on 1 April 2001.

FOO MIENG YONG

Managing Director, Regional Utilities Sdn Bhd
(Utility Division)

67 years old | Male | Malaysian

DATE APPOINTED AS KEY SENIOR MANAGEMENT

1 March 2016

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor of Science in Civil Engineering (Hons) from Brighton Polytechnics, United Kingdom

WORKING EXPERIENCE

He retired in February 2009 from Tenaga Nasional Berhad after serving the company for 33 years. He has worked and served in various capacities primarily in the generation department for the development and implementation of thermal power plants. He has also served in the property and asset management/ development division.

He joined Regional Utilities Sdn Bhd as Project Director from March 2009 to December 2012. In December 2012, he was appointed Executive Vice President (Power Division) in Genting Sanyen. He then joined Engineering and Environmental Consultants Sdn Bhd, a consulting firm in 2014 as Project Director in the Power Division.

OTHER INFORMATION ON KEY SENIOR MANAGEMENT

Save as disclosed, none of the Key Senior Management have:-

1. any directorship in public companies and listed issuers;
2. any family relationship with any Directors and/or major shareholders of the Company, except for Liew Swee Kong who is the nephew of Tan Sri Dato' Kok Onn and cousin of Kok Pei Ling who are members of the Board of the Company;
3. any conflict of interest with the Company;
4. any conviction for offences within the past 5 years; and
5. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2020.

Gadang in the News

Gadang Engineering sedia bantu kontraktor

Peruntuk 40 peratus nilai kontrak ECRL kepada syarikat tempatan

Oleh Alzahrin Alias
zahrin@bh.com.my

Kuala Lumpur: Gadang Holdings Bhd melalui anak syarikat milik penuhnya, Gadang Engineering (M) Sdn Bhd (Gadang Engineering) memperuntukkan 30 hingga 40 peratus daripada nilai kontrak yang diperolehnya untuk projek Laluan Rel Pantai Timur (ECRL) kepada subkontraktor dan pembekal tempatan.

Pengarah Projek Gadang Engineering, Abdul Rizal Abdul Rahim, berkata langkah kumpulan itu seiring dengan saran kerajaan kepada syarikat pembinaan utama membantu kontraktor dan pembekal tempatan.

Beliau berkata, dalam situasi hari ini, banyak kontraktor dan pembekal tempatan turut berhadapan dengan kemelut kewangan disebabkan pandemik COVID-19.

"Sebagai syarikat utama dalam pembinaan, kami turut sama dalam usaha membantu meningkatkan kapasiti kewangan mereka dalam membantu memberikan pelbagai projek terdiri daripada perkhidmatan, pembekalan dan kerja pembinaan.

"Kumpulan sentiasa membantu kontraktor serta pembekal kecil dan sederhana seperti ini untuk terus 'bernafas' dan ini adalah sebahagian daripada perancangan kumpulan.

"Selain itu, Gadang Engineering mengutamakan penduduk tempatan dalam memberikan peluang pekerjaan untuk kedua-dua projek ECRL ini.

"Ini penting dalam memastikan kelangsungan projek dan pada masa yang sama turut meningkatkan taraf ekonomi penduduk setempat," katanya pada temu bual bersama *BH* baru-baru ini.

Gadang Engineering memperoleh kontrak bernilai RM81.18 juta untuk kerja bawah tanah untuk Seksyen 5 dan 6 projek ECRL daripada China Communications Construction (ECRL) Sdn Bhd.

Jumlah kontrak Seksyen 5 dan 6 masing-masing adalah RM24.11 juta dan RM57.072 juta.

Ini penting dalam memastikan kelangsungan projek dan pada masa yang sama turut meningkatkan taraf ekonomi penduduk setempat.

***Abdul Rizal Abdul Rahim,** Pengarah Projek Gadang Engineering*

Abdul Rizal berkata, projek Seksyen 5 merangkumi kawasan laluan sepanjang 6.8 kilometer (km) di Kemanan, Terengganu bermula pada Mei lalu dan dijangka selesai pada 30 Jun 2022.

Sementara projek Seksyen 6 di Maran, Pahang pula bermula pada 15 Jun lalu dan dijangka selesai pada 15 Disember 2022 merangkumi laluan sepanjang 13.89 km.

Katanya, kedua-dua projek kumpulan itu diunjurkan dapat memberi sumbangan positif kepada pendapatan syarikat pada masa akan datang.

"Nilai projek ini memberi sumbangan positif kepada syarikat walaupun diakui margin keuntungan adalah kecil. Ini disebabkan peningkatan kos akibat COVID-19.

"Peningkatan kos disumbang oleh beberapa faktor seperti prosedur operasi standard (SOP), tenaga kerja dan keselamatan. Tetapi dari segi kos bahan mentah, ia masih stabil dan tidak berapa meningkat dengan ketara," katanya.

Abdul Rizal berkata, dengan kepakaran dan nilai rangkaian yang diberikan syarikat, pihaknya optimis dapat memperoleh lebih banyak kontrak projek ECRL pada masa akan datang.

Beliau berkata, ketika ini Gadang Engineering sudah menghantar beberapa tender kepada CCCECRL antaranya kontrak kerja bernilai RM27 juta di seksyen 6 dan beberapa kontrak kerja lain.

Ketika ditanya mengenai cabaran dihadapi syarikat pembinaan yang perlu mengikuti SOP yang ditetapkan kerajaan bagi menangani COVID-19, Abdul Rizal berkata, pada mulanya seperti semua syarikat pembinaan lain, pihaknya juga berhadapan dengan kesukaran.

Namun, beliau berkata, selepas SOP diguna pakai, ia sebaliknya bertukar menjadi satu amalan yang bukan saja dapat memudahkan syarikat tetapi juga pekerja,

"SOP yang ditetapkan itu tidak menghalang daripada penyiapan kerja atau menyebabkan penurunan produktiviti. Malah ia sebaliknya menjadi amalan serta kebiasaan baharu," katanya.

Kontraktor tempatan dianggarkan bakal meraih kontrak bernilai sehingga lebih RM10 bilion bagi kerja sivil pembinaan projek ECRL berdasarkan kepada peruntukan 40 peratus untuk kontraktor tempatan daripada jumlah keseluruhan projek sebanyak RM44 billion.

Gadang eyes Sarawak projects as state funding increases

Record RM12 billion accorded to the state under Budget 2019

BY JUSTIN LIM

KUALA LUMPUR: Construction engineering firm Gadang Holdings Bhd is eyeing a slice of the record RM12 billion accorded to the state under the recently tabled Budget 2019.

Of the total, RM9.073 billion — including a federal fund of RM260 million — was allocated for development expenditure, and RM2.841 billion for operating expenditure.

"There are a lot of opportunities for us (going forward)," construction division managing director Khew Check Kiet said after the group's annual general meeting yesterday.

Currently, the group has bid for about RM2 billion worth of projects, including the four packages in the Pan Borneo Expressway project, as well as the MARA Science College in Sabah. Its order book now stands at RM1.5 billion.

Even so, Khew said the sector is expected to remain challenging in the short term as Putrajaya is reviewing ongoing infrastructure projects in an attempt to manage the nation's huge fiscal deficit.

However, he believes that the things may perk up next year following the budget announcements.

"As long as the government continues to roll out infrastructure projects, there will [be] some chances for us," he said, pointing to hospital contracts in particular as healthcare was a priority in budget 2019, with some RM29 billion allocated, which is 7.8% more than last year.

On the MRT Sungai Buloh-Serdang-Putrajaya line (MRT2), Khew said Gadang has not been informed about any reduction in the value of its RM952 million viaduct work package, and does not expect to be affected by cost-cutting measures.

There are a lot of opportunities for us, says Khew. Photo by Shahrin Yahya

Last month, MMC-Gamuda KV MRT (T) Sdn Bhd agreed to a bigger cost cut of RM1.6 billion or 21.5% to reduce the construction cost for underground works to RM13.11 billion.

On the property front, Gadang has set a higher target of RM250 million sales in FY19 driven by projects The Vyne, Laman View, Putra Perdana, Capital City, Semenyih and Pokok Sena, and include new launches with a combined gross development value of RM392 million.

Despite the challenging outlook, managing director of property division Datuk Ling Hock Hing said the response for landed homes in strategic locations has been positive.

Moreover, first-time house-buyers of properties worth up to RM500,000 will not have to pay stamp duty on the first RM300,000 under Budget 2019.

The group's unbilled sales stood at RM106.5 million as at Aug 31, 2018. It has approximately 310 acres (125ha) of undeveloped land with a remaining gross development value of some RM2.9 billion which Khew said could support the division's earnings growth for the next 10 years.

Gadang yesterday closed one sen or 1.59% higher to 64 sen, valuing the group at RM423.5 million.

力争东铁项目
嘉登订单增至 16 亿

报道：林嘉珉

（吉隆坡 15 日讯）最新获颁东海岸铁路（ECRL）项目合约后，嘉登（GADANG，9261，主板建筑股）未完成订单总值已推高至 14 亿到 16 亿令吉之间。

嘉登项目董事阿都理查今日受访时透露，考虑到 2019 冠状病毒病疫情潜在变数威胁，他将东铁项目合约赚幅目标定在 3% 到 5% 之间；其他未完成项目，还包括捷运站、赛城医院和敦拉萨国际贸易中心（TRX）工程。

"我们需待到项目完成，并将所有成本计入后，才能得知实际获利。在目前初期阶段，根据成本控制估量，先将赚幅设在 3% 到 5% 左右。"

他解释，项目赚幅之所以较低，是因为预计到疫情会带来额外成本。

"这包括劳力成本。若疫情带来意料外的成本，需由承包商自行承担。不过，我们的工程被归类于必要性服务，至今未被展延，仍能动员团队与机械。"

阿都理查

同时，他相信嘉登颇能够克服潜在挑战，并成功容纳新常态。

嘉登上月底获颁两项东铁项目合约，总值 8118 万令吉，将负责第五节的路基土木工程，及项目第六节的路基、排水和暗渠工程。

有信心再获更多合约

另外，阿都理查称工程所需原料价格稳定，同时，会通过采购本地原料来帮助提振当地经济。

"如位于登嘉楼的第五节项目，我们大部分原料是选择当地供应。"

他补充，合约价值 8118 万令吉中的 13% 到作经验，阿都理查有信心嘉登能否获颁更多东铁合约，并称公司还有余力接下更多工程。

同时，嘉登正竞标着东铁第六节与第八节工程项目，他透露前者价值 2700 万令吉，但后者价值暂时不能公布。

Gadang to bid for Pan Borneo Sabah packages

The group is also eyeing Sarawak packages and ECRL jobs

BY TAN XUE YING

KUALA LUMPUR: Gadang Holdings Bhd plans to participate in the open tender for the three work packages under the Sabah portion of the Pan Borneo Highway worth RM925 million in the first quarter of 2020.

This is in addition to some RM1 billion worth of construction jobs it has already bidded for.

Khew Check Kiet, managing director of Gadang's construction division, said the group is also awaiting the opportunity to submit its bids for the Sarawak portion of the Pan Borneo Highway, as well as the East Coast Rail Link (ECRL) project, for which it has been shortlisted.

Khew, who was speaking to reporters after Gadang's annual general meeting yesterday, said the group expects the coming year to be challenging, especially for its construction division.

"The recent Budget [2020] announced by the finance minister [shows] that the allocation for government projects is quite minimal as compared to the previous year's ... and most of the budget [allocations] were for ongoing projects.

"In Peninsular Malaysia, there is not much of infrastructure work. That is why [we think] it is going to be a challenging year, with so many [market] players chasing after the limited projects that are going to be rolled out," he said.

Khew said Gadang had made bids for a hospital project in Pasir Gudang, a kiosk in the Tun Razak Exchange (TRX), a highway project in Penang, as well as bridgework

THE EDGE FILE PHOTO

Khew: The recent Budget (2020) announced by the finance minister [shows] that the allocation for government projects is quite minimal as compared to the previous year's.

lion, and any outcome is expected earliest by next year, said Gadang executive director and chief financial officer Kok Pei Ling, who was also present.

Gadang had a balance order book of RM1.14 billion, comprising the Klang Valley Mass Rapid Transit package V208, Cyberjaya Hospital, TRX tunnel, public realm and steel bridge, as well as Refinery and Petrochemical Integrated Development projects as at August.

On Oct 14, Works Minister Baru Bian told the Dewan Rakyat that the government had agreed to award another three work packages for Pan Borneo Sabah in the first quarter of Beluran Exits, spanning almost 60km and costing RM925 million.

Apart from 12 other packages that were earlier awarded, the remaining 20 packages are expected to be tendered under the 12th Malaysia Plan between 2021 and 2025, subject to the federal government's approval, the minister said.

Meanwhile, Kok said Gadang had set up a company in Singapore and had started tendering for potential bored piling subcontracts.

The group is allocating about RM20 million for the purchase of two to three units of bored pile machines next year to support its Singapore venture.

Over at its property division, Gadang Land Sdn Bhd chief operating officer Yu Kang Huai said the group is targeting RM272.6 million in sales for the current financial year ending May 31, 2020 (FY20).

The bulk of the sales is expected to be generated from Laman View at Maple Residence in Cyberjaya, The Vyne Residensi at Salak South here, and Elegan at Putra Perdana in Puchong.

As at 1QFY20 ended Aug 31, Gadang had achieved RM34 million in sales value.

Planning is also under way for the group's 21-acre (8.5ha) Kwasa Damansara land which, according to Yu, will be used to build 760 residential units comprising both high-rise and landed properties, worth RM707.3 million in gross development value.

Gadang's share price eased half

Gadang secures ECRL jobs

PETALING JAYA: Gadang Holdings Bhd's wholly-owned subsidiary, Gadang Engineering (M) Sdn Bhd, has accepted contracts valued at RM81.17mil from China Communications Construction Sdn Bhd in respect of the East Coast Rail Link (ECRL) project.

The first was a contract for Section Five, which encompasses construction and completion of subgrade earthworks valued at RM24.1mil. The Section Five project commenced on May 28, and is expected to complete on 30 June 2022.

The second is a contract for Section Six which encompasses construction and completion of subgrade, drainage works and culvert work valued at RM57.07mil.

The Section Six Project shall commence on June 15, and is expected to complete on Dec 15, 2022.

Gadang said that the projects were expected to contribute positively to the future earnings of the group.

The risks associated with the projects are mainly normal operational risks which the group would take appropriate measures to mitigate the risks.

GADANG HOPEFUL OF WINNING 3 WORK PACKAGES

Company has also submitted bids for other projects worth over RM1b, says MD

SHAREN KAUR
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Gadang Holdings Bhd executive director Kok Pei Ling (centre) with managing director (construction) Khew Check Kiet (second from left) and other officials at the company's shareholders' meeting in Kuala Lumpur yesterday. PIC BY NURUL SYAZANA ROSE RAZMAN

GADANG Holdings Bhd is banking on the Sabah portion of the Pan-Borneo Highway project to beef up its order book and earnings.

Managing director (construction) Khew Check Kiet said the group was bidding for three packages.

"I will also participate in other open tenders for the highway project.

Works Minister Baru Bian told the Dewan Rakyat on Oct 14 that the government was expected to award three work packages for the highway project in the first quarter of next year.

He had said the packages would involve upgrading works at the Telupid and Beluran exits spanning almost 60km, adding that the total cost was RM925 million.

He added that the remaining 20 packages were expected to be tendered in the 12th Malaysia Plan from 2021 to 2025.

Khew said the market was challenging.

Gadang's order book stood at RM1.14 billion in August.

This included the remaining work worth RM588.6 million for package V206 of the Mass Rapid Transit Sungai Buloh–Serdang–Putrajaya line, the RM215.2 million bridge in Sarawak.

Gadang executive director Kok Pei Ling said the group was also eyeing contracts for the RM44 billion East Coast Rail Link (ECRL) project.

"We have been shortlisted as one of the

STARBIZ, TUESDAY 16 JUNE 2020

StarBiz Special

Gadang tenders RM27mil more ECRL jobs

Group's order book now at RM1.4bil to RM1.6bil

By DANIEL KHOO
danielkhoo@thestar.com.my

KUALA LUMPUR: Gadang Holdings Bhd will see some impact on its profit margin from the East Coast Rail Link (ECRL) works should the Covid-19 pandemic prolonged.

Gadang wholly owned subsidiary Gadang Engineering (M) Sdn Bhd project director Abdul Rizal Abdul Rahim said the company's targeted profit margins from the ECRL project is at 3%-5%.

"It is lowered due to the costs incurred from the pandemic. We are expected to incur additional costs actually."

"For example, previously we could do this project with 100% capacity but in certain months now, we can't anticipate that we will be able to operate at full capacity due to the pandemic.

"This is why I lower my expectations for a very low profit margin," he told *StarBiz* in an interview.

Abdul Rizal said there are also costs that would have to be borne by contractors from an expected increase in labour charges following the strict standard operating proce-

> ***"The ECRL jobs are actually based on an open tender basis. Based on the capacity we can handle now, we have confidence for the future (to secure more projects)."***
>
> *Abdul Rizal Abdul Rahim*

CONSTRUCTION

Communications Construction (ECRL) Sdn Bhd for ECRL works with a contract value of RM81.18mil.

These were for Section 5 and 6 of the ECRL project that covers the construction and completion of subgrade earthworks as well as drainage and culvert works.

Section 5 had started on May 28 and is

"This is our plan for security, miscellaneous works that will be farmed out to the local subcontractors of between 30%-40%, inclusive of raw materials.

"We have opened job vacancies for the east coast states as well for easier communication due of the dialect barrier," he said.

Abdul Rizal said the company has also tendered for up to RM27mil in additional ECRL jobs.

"The ECRL jobs are actually based on an open tender basis. Based on the capacity we

Recognising corporate excellence

It was a memorable and proud moment for the 18 listed companies that took home the coveted awards at Focus Malaysia's 8th Best Under Billion Awards 2019 (BUBA 2019) at the KL Hilton on Nov 8.

The event brought together about 130 corporate movers and shakers as well as representatives of government agencies and industry regulators. BUBA 2019 was graced by guest-of-honour KPMG Malaysia's managing partner Datuk Johan Idris.

BUBA, *FocusM's* annual signature event, began back in 2011 as an initiative to reward and recognise Bursa-listed companies with good financial results and a high level of corporate governance.

All companies with a market capitalisation of less than RM1 bil are considered and filtered through a vigorous and stringent assessment process to select the winners. The entire assessment process was vetted by global audit firm KPMG Management & Risk Consulting Sdn Bhd.

This year saw awards given out in 10 categories, with two winners in each category: One from Group A, which comprises companies with a market cap of RM250 mil to RM400 mil, and another from Group B, which are companies with a market cap of between RM50 mil and RM250 mil.

Property developer Sunsuria Bhd bagged two awards – for Best Revenue Growth and Best Profit Growth – in the RM500 mil to RM250 mil category. The double victory led to Sunsuria also being crowned the Overall Winner.

Weathering disruption

Another key award for the event was the Best CEO award, which is the only BUBA award given to an individual for excellence in leading and guiding a company towards greater heights. The recipient was chosen through a stringent selection process by a panel of *FocusM's* senior editors.

This year, the best CEO honour went to Tan Sri Kok Onn of Gadang Holdings Bhd.

Kok's exposure in the construction industry began in 1973. He has gained extensive knowledge and experience in most aspects of civil and structural engineering schemes with various projects in Malaysia, China, the Middle East and South Africa.

Kok also transformed Bridgecon Engineering Sdn Bhd from a pure construction company to dealing with activities involving manufacturing and supply of ready-mixed concrete, concrete pumping, quarrying, property and resort development, and on the international aspect where he spearheaded Bridgecon's venture into three toll expressway operations in the People's Republic of China.

In his welcome speech, *FocusM* editor-in-chief P Gunasegaram says while it is the norm to only acknowledge those who have made it to the top, at *FocusM*, "we manage to turn it around and give recognition to smaller companies listed on Bursa Malaysia specifically under a billion companies that have the potential to grow."

"I hope that some of the companies tonight will turn out to be giants in their respective industries that are excellent in every aspect of their operations and can demonstrate the capability to thrive in an ever-changing environment," he says.

He adds that this is what *FocusM* aspires to achieve in a new era where there is a demand for information to be at our fingertips, by increasing its digital presence.

Guest-of-honour Johan congratulates BUBA 2019 winners in his keynote speech.

"Frankly, being the top of the class in the BUBA categories where you have excelled above the rest of the pack is no ordinary feat. This is especially noteworthy given the whipsawing economic and business environment which has come upon us in the last 12 months or more. Resurgence of trade wars, growing insularity,

We should constantly seek to innovate, says Johan

Gunasegaram says FocusM gives recognition to smaller listed companies

volatile global oil prices, dampening consumer sentiments and synchronised slowdown of the national and global economy have all made the companies and governments anxious indeed. Hence, achieving what you did is proof that excellence is possible, even when the odds are stacked against you. Excellence is possible if we put our hearts and minds to the task with a belligerent attitude of not giving up. We need to be incurrigibly optimistic, despite the external headwinds and work hurdles," he says.

Static performance not enough

Johan also exhorts the winners to not be complacent in their achievements.

"Settling for excellence alone is not enough. Being satisfied with good results is not good enough. It breeds complacency and will eventually result in your company slipping into mediocrity.

"Despite your delightful and fantastic achievements, I hope you will not become complacent. I am sure we can all do better next year. If you don't, your nearest competitor is very likely plotting to outdo your achievements," he says.

Mediocrity and resting on past achievements are a major threat to us all. It is just too easy to rest on our laurels and become contented. Then mediocrity creeps in and lulls corporate leaders to a slow slumber.

"We should constantly seek to innovate. Put the right internal processes in place. Watch the markets, zero in on the competition.

"Finally, get the right people to drive your company forward. People, processes and technology – these are three key components that will take you on the path towards excellence. As fledgling businesses, companies within the under a billion stratification are in a prime position to embark on this journey at the 'get-go' stage.

"It is imperative for such companies to leverage on the gig economy, timeously build market presence, develop sustainable strategies and tap on financing from varied sources.

"This is why I believe that a little dose of corporate belligerence in implementing the mission of the company is all that is needed to take your companies towards greatness," says Johan.

Today, the task of businesses is beyond merely posting excellent financial results. Companies and regulators are increasingly paying close attention to matters of sustainability and corporate governance in the last 15 years, according to Johan.

"The expectations by the regulators and stakeholders impinge on corporate boards to be vigilant and improve business practices. The onus is now on the leadership team to drive culture and curb nefarious behaviour. This calls for ethical leadership from the top, and is perhaps best exemplified by the corporate liability provision, effected by the Malaysian Anti-Corruption (Amendment) Act 2018 and enforceable from June 2, 2020.

"Essentially, under this provision, directors and members of management will be vicariously liable for corrupt practices of a commercial organisation unless it can be proven that the commercial organisation had put in place adequate preventive procedures. This heightened onus placed on board members and management represents a reversal in the traditional legal maxim of 'innocent till proven guilty' to a rebuttable presumption of 'guilty till proven innocent'," he says.

Johan adds that the proliferation of technology such as cloud computing, Industrial Revolution 4.0, visualisation and data analytics have provided opportunities for companies to improve their governance structure and promote transparency.

He says the KPMG Digital Board Effectiveness Evaluation (BEE) Tool, developed in August 2019, helps to advance and enrich the process in which boards evaluate themselves.

"A few keystrokes could enable boards to assess the time spent on boardroom activities, identify trends and even assess how it is faring vis-à-vis boards of other companies. Features such as such automated reporting, customised questionnaires and built-in checks could go a long way in not only making the process more seamless but also in injecting rigour to the exercise with a view of unearthing latest improvement consideration for the board," Johan concludes.

58 BEST UNDER BILLION AWARDS 2019 FocusM | Nov 16-22, 2019

Best CEO
Gadang Holdings Bhd chief financial officer Kok PeiLing receiving the award on behalf of her father Tan Sri Kok Onn, from KPMG Malaysia managing partner Datuk Johan Idris (second from right), together with Focus Malaysia editor-in-chief P. Gunasegaram (far left) and executive chairman Datuk Michael Yip (second from left)

Best Return on Assets (Group A)
Excel-Force MSC Bhd executive director Andy Wong (right) receiving the award

Best Revenue Growth (Group A)
Yong Tai Bhd chief financial officer Lam Shuh Pow (right) receiving the award

Best Profit Growth (Group A)
Amverton Bhd managing director Datuk Milton Norman Ng (right) receiving the award

Best Cashflow from Operations (Group A)
Crest Builder Holdings Bhd group managing director Eric Yong (right) receiving the award

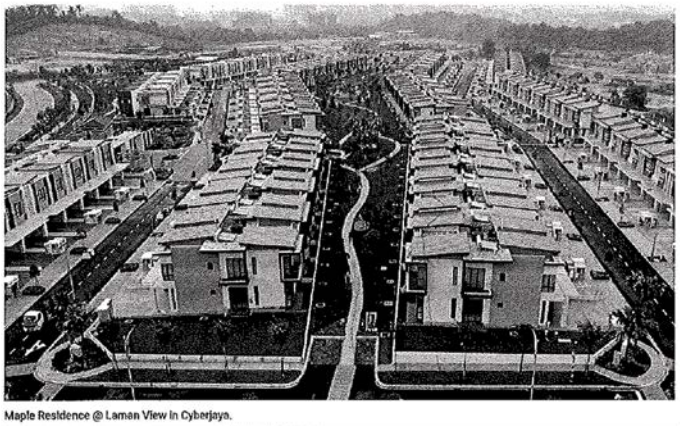
Best in Dividend Yield (Group A)
Amanahraya REIT group managing director Adanan Md Yusof (right) receiving the award

Best Enterprise Value Growth (Group A)
Comfort Gloves Bhd managing director Cheang Phuy Kun (right) receiving the award

Best Sustainability Reporting
Land & General Bhd chief financial officer Ten Boon Siong (right) receiving the award

Gadang enjoys robust property sales, in spite of Covid-19

By Sharen Kaur - May 15, 2020 @ 1:32pm



Maple Residence @ Laman View in Cyberjaya.

Chairman's Statement

TAN SRI DATO' SERI DR.
MOHAMED ISMAIL BIN MERICAN
Chairman

Dear Valued Shareholders ,

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report of the Group for the financial year ended 31 May 2020 (FYE 2020).

ECONOMIC LANDSCAPE

The overall business environment was severely disrupted and contracted during the later part of the 3rd quarter of the financial year due to the Covid-19 pandemic. The implementation by the Government of the Movement Control Order (MCO) had greatly reduced people movement as well as social and recreational activities, with business activities restricted only to those providing essential services and items.

Apart from the Covid-19 pandemic, the domestic economy was also affected by the sharp decline in crude oil prices and the continuous volatility in palm oil commodity prices.

Overall, the domestic growth outlook remains uncertain and requires financial stimulus measures by the Government to assist and restore the financial health of the private sector.

FINANCIAL PERFORMANCE

Under this challenging economic scenario, the Group posted revenue of RM673.0 million in FYE 2020, representing a decrease of 2% from RM687.7 million recorded in the preceding financial year, due mainly to lower revenue billings for the Property Division's sales.

The Group's pre-tax profit for the financial year stood at RM59.3 million, a decrease of 17% compared to the preceding financial year, contributed by the following operating items:

- Rental income of plant and machinery reduced by RM3.2 million due to construction activities restriction;
- Administrative expenses increased by some RM3.9 million; and
- Fair value loss on quoted investment increased by RM1.6 million.

Further details of the Group's financial performance are contained in the Management Discussion & Analysis section within this Annual Report.

PROPOSED DIVIDEND

The Board is pleased to recommend a first and final dividend of 1 sen per ordinary share for the FYE 2020 to be approved at the forthcoming Annual General Meeting by the shareholders.

The dividend payment shall amount to some RM7.3 million. This translates into a dividend payout ratio of approximately 20% of its profit after tax of RM35.6 million, which is in line with our dividend payout ratio over the last few years.

CORPORATE AND BUSINESS DEVELOPMENTS

(a) On 6 February 2018, the Company's indirect wholly-owned subsidiary, Splendid Pavilion Sdn Bhd entered into a conditional Sale and Purchase Agreement (SPA) with GP Views Development Sdn Bhd for the acquisition of 2 parcels of freehold land measuring approximately 78 acres located at Pontian, State of Johor Darul Takzim for a purchase consideration of RM149 million.

On 3 February 2020, all the conditions precedent as stated in the SPA have been met and the SPA has become unconditional.

(b) On 29 March 2019, the Company's wholly-owned subsidiary, Achwell Property Sdn Bhd (APSB) had entered into a conditional settlement agreement, put option agreement and call option agreement with Capital City Property Sdn Bhd (CCPSB) for the proposed variation to the terms of the Joint Venture Agreement between APSB and CCPSB for an integrated development in Bandar Johor Bahru, District of Johor Bahru, State of Johor Darul Takzim (Proposed Variation).

The Proposed Variation is subject to the fulfillment of the conditions precedent as stipulated in the respective agreements. On 26 September 2019, APSB and CCPSB mutually agreed to extend the conditional period which will expire on 28 September 2019, for another six months to 28 March 2020, for CCPSB to fulfill the remaining conditions precedent as set out in the settlement agreement.

Chairman's Statement

CCPSB had failed to fulfil the remaining conditions precedent as set out in the settlement agreement by 28 March 2020. Hence, the settlement agreement lapsed on 28 March 2020 and became null and void, and the parties fall back to the original Joint Venture Agreement on their rights and obligations.

CCPSB has since applied for and obtained an ex-parte Judicial Management Order on 13 March 2020 (Judicial Management Order). This, coupled with several other factors, gave rise to event(s) of default under the Joint Venture Agreement. APSB had by way of a letter dated 15 May 2020 issued a Notice of Default under the Joint Venture Agreement to CCPSB.

The High Court had on 4 September 2020 given an order allowing APSB to intervene in the Judicial Management proceedings. APSB shall proceed with further negotiations with the Judicial Manager for a commercially viable settlement scheme.

(c) In May 2020, the Construction Division accepted the following letters of award from China Communications Construction (ECRL) Sdn Bhd in respect of the East Coast Rail Link Project:-

(1) Section 5 - construction and completion of subgrade earthworks for a total contract sum of RM24,110,137.

(2) Section 6 - construction and completion of subgrade, drainage works and culvert work for a total contract sum of RM57,072,250.

BUSINESS OUTLOOK

Given the prevailing political uncertainties, the construction sector will be very susceptible to changes in government policies, giving rise to delays in public-sector project awards. The prospects for the construction sector are largely dependent on the resumption of mega projects such as the Mass Rapid Transit Line 3 (MRT 3) and KL-Singapore High Speed Rail (HSR) as outlined in the Budget 2020. Apart from that, the Penang Transport Master Plan and the construction of new hospitals as well as upgrading of existing ones as identified in the Budget 2020 may provide further positive impetus to the construction industry.

The local property market is expected to remain challenging although purchaser sentiments have improved. The key issues of price affordability, the overhang of high priced homes, rising cost of living and tight financing conditions will continue to have a dampening effect to buying sentiments. Nonetheless, the Property Division will continue to expand and step-up its efforts to grow its business in view of the strategic and choice locations of its property assets.

The Utility Division's concession water treatment assets have not been significantly impacted by the Covid-19 pandemic in Indonesia and will continue to contribute a stable and sustainable recurring income stream to the Group. The construction of the 9MW mini-hydro power plant in Lintau, Sumatera, is progressing well and is scheduled for completion by the end of 2020.

Continuous strategic developments in our respective business segments are essential to our sustainable growth initiatives to meet changing market demands as well as future needs. We are confident of being able to withstand the challenges of a more dynamic global and local economy to take our journey to the next level of continued growth.

ACKNOWLEDGEMENT

The Board of Directors wishes to thank all employees for their contribution, perseverance and hard work, including sharing and embracing our vision to secure a better future together. We also wish to thank all our shareholders, customers and business partners for their confidence and unwavering support they have given to us. The Group values and looks forward to this continued support as we undertake new challenges and opportunities ahead.

In our journey towards FYE 2021 and beyond, we will continue to focus on areas where we can improve and respond effectively in the current operating climate as we strive to enhance our performance and create value for our shareholders and stakeholders.

Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican
Chairman

Management Discussion & Analysis

TAN SRI DATO' KOK ONN
Managing Director
cum Chief Executive Officer

Management Discussion & Analysis

Cyberjaya Hospital

REVIEW OF FINANCIAL RESULTS

FINANCIAL PERFORMANCE OVERVIEW

Despite the volatile and challenging global market condition, the Group has been able to record and report sustainable profitability, with a stronger balance sheet position. The Movement Control Order (MCO) imposed by the Government had resulted in work suspension on all on-going construction and property development projects of the Group, except for certain works deemed critical for public safety. Consequently, all property sales galleries were closed with marketing activities suspended. Whilst operations had resumed during the Conditional MCO, the level of activities on site was generally lower as the Group adopted more stringent preventive measures for staff safety under the strict standard operating procedures (SOPs) outlined by the Government. This had also adversely affected the financial performance of the Property Division for the current year under review.

The Group's revenue decreased by 2% to RM673.0 million for FYE 2020 (FYE 2019: RM687.7 million) mainly due to lower revenue contributed by the Property Division. Profit before tax (PBT) declined by 17% to RM59.3 million (FYE 2019: RM71.7 million) mainly due to higher operating costs and lower other income.

TOTAL REVENUE

RM673.0 million

(FYE 2019: RM687.7million)

The Construction Division, supported by higher work progress, recorded higher revenue of RM492.5 million (FYE 2019: RM479.5 million). However, PBT decreased to RM33.7 million (FYE 2019: RM40.9 million) mainly due to higher operating costs incurred in the current year.

The Property Division's revenue dropped 16% to RM156.1 million (FYE 2019: RM184.9 million), with PBT for the current year declined by 8% to RM36.2 million (FYE 2019: RM39.2 million) mainly attributed by the lower sales as a result of challenging Malaysian property market and Covid-19 induced MCO.

The Utility Division registered PBT of RM4.9 million (FYE 2019: RM7.0 million), on the back of a revenue of RM24.4 million (FYE 2019: RM23.2 million). The lower profit was mainly due to the unfavourable foreign exchange translation effect in the current year.

FINANCIAL POSITION OVERVIEW

The Group's overall financial position remained stable in FYE 2020 as shown below:

Financial Ratio	FYE 2020	FYE 2019
Current Ratio	**2.4 times**	2.3 times
Total Equity	**RM818.8 million**	RM738.3 million
Net Asset per share	**RM1.12**	RM1.11

Current ratio (Current assets/Current liabilities)

The Group's current ratio, a yardstick that measures the state of the Group's financial liquidity, improved marginally to 2.4 times (FYE 2019: 2.3 times). The healthy current ratio indicates that the Group has adequate liquidity to meet its short-term commitments and its demanding working capital requirements.

Total Equity

Total equity continued to grow strongly by 11% to RM818.8 million on higher retained earnings, coupled with the completion of a private placement exercise.

STATEMENTS OF CASH FLOWS

Net cash generated from operating activities

The net operating cash inflow was principally due to the earnings from our business activities and improved collections from ongoing construction projects.

Net cash used in investing activities

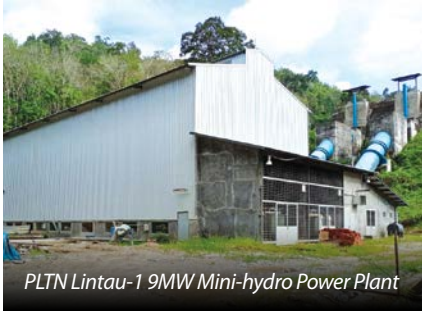
The net investing cash outflow arose mainly from the construction of our mini-hydro power plant in Indonesia.

Net cash used in financing activities

The net financing cash outflow arose mainly from repayment of Group borrowings and placement of deposit pledged to licensed banks to secure funds for our construction activities, as well as the payment of dividends to shareholders.

CAPITAL MANAGEMENT

RM'million	FYE 2020	FYE 2019
Total cash and bank balances, and funds placements	**302.8**	216.9
Total borrowings	**289.1**	360.3
Total equity	**818.8**	738.3
Net Gearing Ratio (times)	**Net cash positive**	0.19



PLTN Lintau-1 9MW Mini-hydro Power Plant

Our approach to capital management is to maintain a strong credit rating and healthy capital ratios in order to support our daily operations without disruption. Our strategy is to maximise shareholders' wealth by managing our excess funds prudently. We manage our funds by planning our payments ahead of time to ensure that we keep an optimum bank balance at all times. This will allow us to place our excess funds in a diverse portfolio such as fixed income securities, money market instruments and placement in selected funds to obtain a higher return. With this, we will be able to arbitrage between our placement and borrowing rates differential.

The Group ensures that the sources of borrowings are well diversified and appropriately structured in terms of maturity to mitigate interest rate and liquidity risks.

During the year, the Group's total borrowings reduced to RM289.1 million (FYE 2019: RM360.3 million), due to better management of project execution of on-going construction and property development projects.

We have sufficient credit facilities on hand to enable us to tender for larger projects available in the market. Our credit facilities range from issuance of bank guarantees such as performance bonds, advanced payment bonds, tender bonds, invoice factoring and revolving credit.

Management Discussion & Analysis

Total capital expenditure incurred in FYE 2020 was RM21.0 million, comprising mainly the following capital allocations:

- the construction of the mini hydro power plant in Indonesia - RM17.5 million; and
- acquisition of motor vehicles, plant and machinery - RM2.7 million

BUSINESS OPERATIONS REVIEW

Construction Division

We believe the period of suspension and deferment for public infrastructure projects is only temporary because beyond fiscal impetus, Malaysia needs further capital infrastructure investment to remain competitive to attract Foreign Direct Investments (FDI) from overseas. The notable large infrastructure projects in the pipeline are Mass Rapid Transit Line 3 (MRT3), East Coast Rail Link (ECRL) and KL-Singapore High Speed Rail (HSR).

In addition to the above, the Government is anticipated to roll out several packages of major hospital and polyclinic projects, and housing amenities for the armed forces throughout the country to be implemented during the 11th Malaysia Plan. This is to address the urgent needs of the rakyat for better medical healthcare treatment with a shorter waiting period for critical illnesses and housing for the security forces.

We will actively pursue opportunities arising from the country's infrastructure development plan and with our healthy outstanding order book of RM888.7 million, the ongoing projects will keep us busy for the next two years.

Concurrently, the Construction Division's recently acquired subsidiary in Singapore, namely Yi Sheng Foundation Pte Ltd, is also aggressively exploring infrastructure work opportunities in the Lion City, where infrastructure works are being implemented in continuous stages by the Land Transport Authority (LTA).

Nevertheless, we are expecting a challenging period in the construction industry as the Covid-19 pandemic is still raging across the globe and this has a significant impact on timely procurement of construction materials and machinery. The pandemic is also hampering the cross-boundary movements of the labour force where most of the countries have closed their borders. In the light of this, we will focus on projects that give better returns on investment by maximising the deployment of existing workforce without having to recruit additional labour force from overseas.

Launching of steel bridge at TRX C9

Property Development Division

The Year 2020 has not been an encouraging year for the property development market. Not only were we dealing with the Covid-19 outbreak, whereby businesses were deeply affected by the unprecedented event, the plunge in crude oil and palm oil commodity prices have also caused the domestic economy to remain depressed alongside the global economy.

In order to remain competitive, new property projects are aligned to affordable homes where demand is still strong. We have strategically priced homes with good quality, in key focus areas such as Klang Valley, Greater Klang Valley, Johor Bahru and Pokok Sena. We will remain committed to match the market's demand and stay vigilant on new launches.

The Property Division's performance for FYE 2020 was mainly derived from the following developments:

- PR1MA Two Apartments, comprising 469 units of PRIMA apartments and Phase 1 of Maple Residence at Laman View, comprising 194 units of stratified landed terrace homes in Cyberjaya, Selangor, which were completed in January and March 2020 respectively;
- Elegan Residensi at Putra Perdana (Phase 1), which comprises 270 units 1.5 storey townhouses in Puchong, Selangor; and
- The Vyne, an affordable luxury condominium development in Salak South, Kuala Lumpur.

We currently have a balance of 360 acres of undeveloped land with an estimated gross development value (GDV) of RM3.5 billion and supported by unbilled sales of RM54.7 million, which will provide revenue and earnings visibility to the Group for the next 10 years.

In FYE 2020, the Property Division launched its final phase of The Vyne residential, Block E in Salak South. For the coming financial year, the Division will focus mainly on affordable and landed residential developments to be in line with the current market demand. The new launches planned for FYE 2021 are:

- Double storey terrace homes in Phase 2 of Maple Residence at Laman View;
- Phase 3C of Laman View in Cyberjaya, which comprises 300 units of affordable high rise apartments;
- Phase 2 of Elegan Residensi at Putra Perdana, which comprises 134 units of 1.5 storey townhouses;
- Phase 1A of Akasia at Semenyih, which comprises 1.5 storey townhouses; and
- Phase 1 of double storey terrace homes in Gelang Patah, Johor Bahru.

Embarking into the new financial year, we will continue to adopt a cautious and resilient approach towards the new changes in the property market. The short term outlook for property market remains challenging and sluggish. However, the Government's introduction of several recovery measures particularly the reintroduction of the Home Ownership Campaign (HOC), a revision in Real Property Gains Tax (RPGT) and the recent cuts of interest rates by the Bank Negara Malaysia will boost the overall property market. The Property Division will continue its efforts to remain focused in providing innovative and affordable homes and to further improve its operation efficiencies and competitiveness through strong execution to meet customers' satisfaction.

Akasia @ Semenyih

"Embarking into the new financial year, we will continue to adopt a cautious and resilient approach towards the new changes in the property market. The short term outlook for property market remains challenging and sluggish."

Management Discussion & Analysis

Construction of Mini-hydro Power Plant waterway

Utility Division

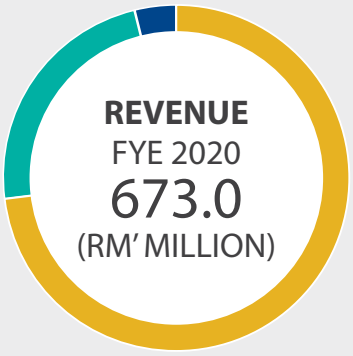
In FYE 2020, the performance of the water treatment business in Indonesia was satisfactory, with revenue of RM24.4 million and a prudent operation and maintenance plan. The Utility Division continues in its efforts to reduce the cost of production efficiently and effectively.

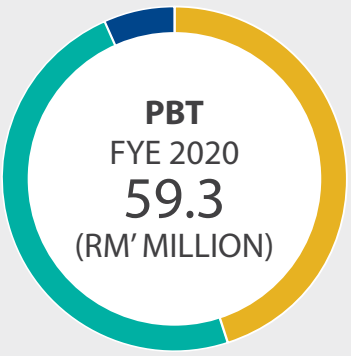
Having an established water treatment presence in Indonesia offers business opportunities for the Utility Division to explore further. The Indonesian Government has aimed to achieve 100% potable water access and facilities, and are looking into ways to accelerate the process. Currently, only 82% of the population has access to safe drinking water, while around 2% still rely on surface water for drinking. Most water supplies in remote areas are still under-developed. It is envisaged that this will make private sector projects become viable over the longer term, as well as the continuity of Perusahaan Daerah Air Minum (PDAM) reforms to achieve the target for the water sector.

The 9MW mini-hydro power project at Lintau, Sumatera Barat has been rescheduled with its Commercial Operation Date in FYE 2021. As of 31 May 2020, it has achieved construction progress of 91%.

The Malaysian Government's effort to promote the increased use of Renewable Energy (RE) as an initiative to reduce CO2 emission with more large-scale grid connected to solar Photovoltaic (PV) power plants has led to the first Large Scale Solar Photovoltaic (LSS) bidding exercise in 2016 to the latest with a total capacity of 1,000MW for Peninsular Malaysia (LSS 4) in 2020. The Utility Division had participated in the said tender process to expand on its portfolio.

SEGMENTAL PERFORMANCE





Construction Property Utility

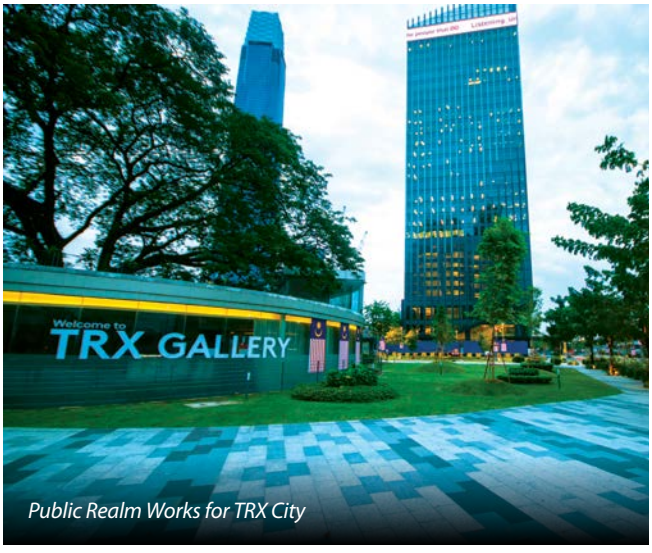
OUTLOOK

Looking ahead, construction activity in Malaysia is expected to remain challenging. Headwinds arising from the unexpected change in Federal Government, policy uncertainties, trade tensions, a subdued property market and the impact from Covid-19 will persist in the background throughout FYE 2021. We remain cognisant of the local and global economic landscape and will continue our prudent business strategy while charting our expansion plans for a sustainable growth.

Properties priced at affordable range and located at strategic choice townships with good accessibility remain highly in demand. We are seeing growing interest in this segment, which has returned buyers' purchasing confidence – supported by the Government's proactive measures in introducing various property-friendly incentives and campaigns to stimulate the overall property development industry. Property remains as one of the best hedges against inflation and is amongst the safest forms of asset class. We will continue to strengthen our market presence in FYE 2021 with product line-ups that are tailored specifically to meet the buyers' current needs and demands.

In the renewable energy sector, we will continue to explore opportunities in large scale solar power to address increasing environmental concerns and to chart a further growth path for the Group.

Tan Sri Dato' Kok Onn
Managing Director
cum Chief Executive Officer



Public Realm Works for TRX City

MRT Line 2 - Package V206

Corporate Governance Overview Statement

The Board of Directors of Gadang Holdings Berhad ("Gadang" or "Company") is committed to ensure a high standard of corporate governance is practiced throughout the Company and its subsidiaries ("the Group") in discharging its responsibilities with integrity, transparency and professionalism to protect and enhance shareholders' value and the financial position of the Group.

This Corporate Governance Overview Statement outlines the corporate governance practices of the Company that are in place during the financial year ended 31 May 2020 and is prepared in compliance with Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements. Essentially, this statement takes guidance from the following three (3) key corporate governance principles as set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"):-

- Principle A: Board leadership and effectiveness;
- Principle B: Effective Audit and Risk Management; and
- Principle C: Integrity in corporate reporting and meaningful relationship with stakeholders.

This statement is to be read together with the Corporate Governance Report 2020 of the Company ("CG Report") which is available on the Company's website at www.gadang.com.my. The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG 2017 during the financial year 2020.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities

The Board is collectively the primary decision-making body for all material matters affecting the Group. It also provides effective leadership, guidance and sets strategic direction. The Board is responsible for the proper stewardship of the Group's business and the creation of long-term value of the Group to its shareholders and other stakeholders.

In particular, the principal duties and responsibilities of the Board include:-

a) Reviewing and adopting the strategic plans for the Group.
b) Overseeing the conduct of business and performance of the Company and subsidiaries to ensure they are being properly and appropriately managed.
c) Identifying principal risks and ensuring the implementation of appropriate internal control systems to manage the identified risks.
d) Succession planning, including ensuring that processes are in place to recruit Senior Management with the highest standards of integrity and competence, and to train, develop and retain them.
e) Reviewing the adequacy and integrity of internal control system of the Group, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
f) Overseeing the development and implementation of an effective communication policy for the Group.

In order to ensure effective discharge of the Board's functions, the Board has delegated its specific powers of the Board to the relevant Board Committees, the Managing Director (MD)/Chief Executive Officer (CEO) and Management team.

As depicted in the following illustration, the Board Committees have been established to assist the Board in its oversight function with reference to specific responsibility areas. Each of the Board Committee operates within its own written terms of reference and whose actions are reported to and monitored by the Board. The Board accepts that while these various Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

Leadership Structure and Governance Framework

The Board

Responsible for the overall conduct of the Company's business including driving its long term success, setting values, standards and strategic objectives, reviewing the performance, and ensuring a successful dialogue with its shareholders.

Chairman
- Plays a leadership role in the conduct of the Board and its relationship with shareholders and other stakeholders.
- Responsible for instilling good corporate governance practices, leadership and effectiveness of the Board.

Managing Director/ Chief Executive Officer
- Responsible to lead the business and implements corporate strategy for the Group.

Non-Executive Directors
- Act as a bridge between Management and stakeholders, particularly shareholders.
- Provide the relevant checks and balances on the acts of the Board and Management of the Company, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied.

Senior Independent Director
- Acts as a sounding board to the Chair.
- Acts as intermediary for other Directors, when necessary.
- Available to respond to shareholder concerns when contact through the normal channels are inappropriate.

Board Committees

Delegated to by the Board, and are responsible to maintain effective governance in the respective areas.

Audit Committee
- Examines the integrity of the Company's financial reporting.
- Reviews the adequacy and effectiveness of the Company's internal controls and risk management framework and related compliance activities.
- Reviews the effectiveness of the internal and external audit functions.

Board Risk Committee
- Oversees the Company's risk management framework and the implementation of the Risk Management Policy.

Nomination & Remuneration Committee
- Evaluates the Board's composition and ensures Board diversity, right mix and balance of skills.
- Sources for and nominates Board members.
- Reviews the policy on remuneration of Non-Executive Directors.
- Reviews the remuneration of Non-Executive Directors.

Management

Responsible for implementing strategic objectives and decisions, realising competitive business performance in line with the established risk management framework, compliance policies, internal control systems and reporting requirements.

Corporate Governance Overview Statement

In discharging the Board's duties and responsibilities effectively, the Board is guided by its Board Charter which outlines the roles, responsibilities, functions and authority of the Board, Board Committees and individual Directors as well as matters that are solely reserved for the Board's decision. The Board Charter is reviewed regularly to ensure they remain consistent with the Board's objectives, current law and best practices.

On 2 September 2020, a revised Board Charter was approved towards greater alignment with the requirements and recommendations outlined in the latest Companies Act 2016, MCCG 2017 and the Bursa Securities Main Market Listing Requirements. The Board Charter can be viewed on the Company's website at www.gadang.com.my.

There is a clear division of responsibilities between the Chairman of the Board and the CEO to ensure there is a balance of power and authority. The Chairman of the Board plays a leadership role in the conduct of the Board and its relationship with shareholders and other stakeholders. The Chairman of the Board is also responsible for instilling good corporate governance practices, leadership and effectiveness of the Board.

The CEO, supported by Senior Management, implements the Group's strategic plan, policies and decisions adopted by the Board and oversees the operations of the Group.

The Board recognises the importance of Senior Independent Director ("**SID**") to serve as a sounding board for the Chairman and as an effective conduit for other Independent Directors' concerns. Mr Boey Tak Kong assumes the role of SID and his specific duties are set out in the Board Charter.

The Board members have full access to the Company Secretary who is an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators and is qualified to act as company secretary under Section 235(2) of the Companies Act, 2016. She is responsible for advising the Board on issues relating to compliance with laws, rules, procedures and regulations affecting the Group, as well as the principles of best corporate governance practices.

To facilitate the Directors in planning their attendance at the Board and Board Committees meetings as well as the Annual General Meeting, an annual meeting calendar with the scheduled meeting dates is prepared and confirmed before the beginning of each year. To assist Directors in planning their attendance, the Company Secretary consults every director before fixing the dates of these meetings. The Board meets at least five times a year. Ad hoc meetings are also convened to deliberate on urgent substantive matters.

The notice of Board and Board Committees meetings together with meeting materials are furnished to the Directors at least five (5) working days in advance to enable the Directors to have sufficient time to review the documents and obtain further information or clarification to expedite the decision making process. The meeting agenda and board papers are distributed in hard copy and/or electronically to the Directors for deliberations during Board meetings. Reminders are also sent in advance electronically to the Directors prior to the meetings.

The Board is satisfied with the level of time commitment given by the Directors toward fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the full attendance record of the Directors at Board meetings and Board Committees meetings during the financial year ended 31 May 2020 as set out in the table below:-

Name of Directors	Board Meetings	AC Meetings	BRC Meetings	NRC Meetings	General Meeting
Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican Chairman of the Board Independent Non-Executive Director	6/6 (100%)	5/5 (100%)	4/4 (100%)	2/2 (100%)	1/1 (100%)
Tan Sri Dato' Kok Onn Managing Director/Chief Executive Officer	6/6 (100%)	N/A	N/A	N/A	1/1 (100%)
Boey Tak Kong Chairman of Audit Committee and Nomination & Remuneration Committee Independent Non-Executive Director	6/6 (100%)	5/5 (100%)	4/4 (100%)	2/2 (100%)	1/1 (100%)
Kok Pei Ling Executive Director	6/6 (100%)	N/A	N/A	N/A	1/1 (100%)
Huang Shi Chin Chairman of Board Risk Committee Independent Non-Executive Director	6/6 (100%)	5/5 (100%)	4/4 (100%)	2/2 (100%)	1/1 (100%)

AC Audit Committee
BRC Board Risk Committee
NRC Nomination & Remuneration Committee

The Board has in place a Code of Ethics and Conduct ("Code"), which applies to all Directors and employees of the Group, to ensure a high standard of ethical and professional conduct is upheld in the performance of their duties and responsibilities. The Code sets out the principles and standards of business ethics and conduct of the Group. The Code was recently updated on 14 May 2020.

Further, in line with the Company's commitment in achieving and maintaining the highest standards of openness, ethics, and accountability, the Company has also established a Whistleblowing Policy & Procedure ("WPP"). The WPP is aimed to provide a formal mechanism for employees, other external stakeholders and members of the public to raise concerns related to possible malpractices at the earliest opportunity, in an appropriate manner and without fear of reprisal or victimization. The Whistleblowing Committee, which comprises a member of the Audit Committee, Chief Financial Officer (CFO) and Head of Group Internal Audit, is responsible to oversee the implementation of the WPP. The CFO and the Senior Independent Non-Executive Director are responsible for receiving whistleblower report(s) made by the employees or external parties as prescribed under the WPP. The WPP was recently updated on 14 May 2020.

The Company has also on 14 May 2020, established a standalone Anti-Bribery & Corruption ("ABC") Policy, to spell out the Company's stand on bribery and corruption and conducts which are prohibited. The ABC Policy is applicable to the Directors and employees of the Group and any other person(s) associated with the Group (including third parties). It reiterates the Company's commitment to ensure full compliance with the Malaysian Anti-Corruption Commission (MACC) Act 2009 and the MACC Amendment Act 2018 and any other local anti-bribery or anti-corruption laws that may be applicable. This Policy complements and is to be read in conjunction with the Company's Code and WPP.

Corporate Governance Overview Statement

II Board Composition

The Board currently comprises three Independent Non-Executive Directors and two Executive Directors. The structure and composition of the Board comply with the Main Market Listing Requirements ("MMLR") of Bursa Securities and the MCCG 2017. The number of Independent Directors exceeds the requirement that one-third of Board Members be independent as set out in the MMLR of Bursa Securities and MCCG 2017.

No alternate Directors have been appointed in respect of any of the Directors. The current size and composition of the Board is adequate for facilitating effective and objective decision making given the scope and nature of the Group's business and operations. In addition, the Board collectively brings a diverse range of skills, expertise, knowledge and experience to direct the Group. Following are the collective skills & competence of the Board:

Skill/Competence	Description
Leadership	Overall stewardship of the Group, business leadership, public listed company experiences
Strategy and Entrepreneurial acumen	Business development, assessment of existing and emerging opportunities
Sustainability and Stakeholder management	Governmental relations, community and investor relations, corporate governance and banking
Technical	Engineering, real estate and property development, construction and other related skills
Finance and corporate	Accounting, audit, financial reporting, taxation, legal, corporate financing, risk management and human capital development & management

The presence of a majority of Independent Non-Executive Directors will serve to bring objective and independent views, advice and judgment to the decision making of the Board and provide the necessary checks and balances to ensure that the interests of all shareholders and the general public are given due consideration in the decision-making process. The Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls.

Practice 4.2 of the MCCG 2017 states that the tenure of an independent director shall not exceed a cumulative term limit of nine (9) years. Upon completion of nine (9) years, an independent director may continue to serve on the board as a non-independent director. If the board intends to retain an independent director beyond nine (9), it should justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the twelfth (12th) year, the board should seek annual shareholders' approval through a two-tier voting process.

The Company has not established term limits for the Independent Directors as the Board believes the tenure period will not interfere with the exercise of independent judgement and the ability to act in the best interests of the Company. The Board also recognises that Independent Directors may over time develop significant insights in the Group's business and operations, and can continue to provide significant and valuable contribution objectively to the Board as a whole.

Mr Boey Tak Kong who was appointed on 3 December 2007, has served as Independent Non-Executive Director for a cumulative terms of more than twelve (12) years. Taking into account the view of the NRC, the Board concurs that Mr Boey Tak Kong continued to demonstrate strong independence in judgement in the discharge of his responsibilities as a director of the Company. He has continued to express his individual viewpoints, debated issues and objectively scrutinised and challenged Management and carried out his professional duty in the interest of the Group and shareholders.

Further, his broad-based experience in the financial management, internal audit and corporate affairs has been contributing to the Group in matters of internal control and risk management. Based on the declaration of independence received from Mr Boey Tak Kong, he has no association with Management that could compromise his independence.

After taking into account all these factors and in line with Practice 4.2 of the MCCG 2017, the Board has recommended that the approval of the shareholders be sought through a two-tier voting process to retain him as independent Director of the Company.

The Board currently has one (1) female Director out of five (5) Directors following the appointment of Ms Kok Pei Ling as an Executive Director on 2 January 2013. Female representation as a percentage of the full Board is 20%. The Company will increase female representation on the Board if appropriate candidates are available when Board vacancies arise.

Nomination & Remuneration Committee

The Nomination Committee and the Remuneration Committee were established on 30 July 2001 and were merged into a single committee on 28 October 2010 for the purpose of convenience and practicality. The Nomination & Remuneration Committee ("**NRC**") comprises three members, all of whom are Independent Non-Executive Directors. Mr Boey Tak Kong, the Senior Independent Non-Executive Director, is the Chairman of the NRC, and the other members are Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican and Mr Huang Shi Chin.

The duties and responsibilities of the NRC are to assist the Board in the appointment and evaluation of the performance of the Directors (including Board Committees) and reviewing and recommending the appropriate remuneration policies applicable to Directors and Senior Management.

The Terms of Reference of the NRC are available for reference at www.gadang.com.my.

During financial year 2020, the activities of the NRC included the following:-

(i) Board Composition:
- Reviewed the current composition and board size to ensure that the Board continues to have the right balance of skills, knowledge, experience and diversity.
- Reviewed the succession plan for the board of its subsidiaries.

(ii) Appointment of Directors and Senior Officers
- Reviewed and made recommendations to the Board on the re-election of Directors at the 27th AGM.
- Considered the proposals to renew the employment contract of senior officers of the Group.
- Reviewed the succession plan for the senior leadership critical positions of its major subsidiary.

(iii) Remuneration for the Group
- Reviewed the benefits and terms and conditions of employment of the Executive Directors and Senior Management.
- Reviewed the annual salary increments and bonuses of the Executive Directors and Senior Management of the Group.
- Reviewed the remuneration framework for Non-Executive Directors.

(iv) Board Effectiveness Evaluation
- Conducted annual assessment of individual, peer and Board assessment.
- Conducted annual assessment of independence status of Independent Non-Executive Directors.
- Evaluated and determined the training needs of the Directors.

Corporate Governance Overview Statement

Re-election of Directors

All Directors including Managing and Executive Directors shall retire from office once in every three (3) years but shall be eligible for re-election. In accordance with the Company's Constitution, one-third (1/3) of the Directors shall retire from office at each Annual General Meeting ("**AGM**") and may offer themselves for re-election. The Directors to retire in each year shall be those who have been longest in office since their last election.

The Board's support for a Director's re-election is not automatic and is subject to satisfactory assessment of performance. The NRC will first assess the Directors who are due for re-election at the AGM and will then submit its recommendation to the Board for deliberation and approval. This recommendation is based on formal reviews of the performance of the Directors, taking into account their contribution to the Board through their skills, experience, strengths and qualities, level of independence and ability to act in the best interests of the Group in decision-making process.

Mr Boey Tak Kong and Ms Kok Pei Ling who are due for retirement pursuant to Clause 108 of the Company's Constitution, would be seeking re-election at the forthcoming AGM.

As evaluated by the NRC and approved by the Board, both the Directors have met the Board's expectations and continued to contribute to the Board's deliberations and the Board would accordingly recommend their re-election to the shareholders at the forthcoming AGM.

Annual Assessment

The Board through its NRC, reviews annually, the effectiveness of the Board and Board Committees as well as the performance of individual Directors. The evaluation which was conducted for financial year 2020 involved individual Directors and Committee members completing separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered. They also undertook a self-review and peer review in which they assessed their fellow Directors' performance. The results were compiled and analysed by the Company Secretary and presented at board meeting. The results from the evaluation process indicated that the performance of the Board, the Board Committees, the individual Directors and Board Committee members during the review period had been satisfactory. The Board was also satisfied that the size of the Board is adequate for the Group and the Board has the relevant knowledge relating to the Group's business. The individual Directors had also met the standards expected of them, with each making strong contributions, generally and through the knowledge derived from their specialised areas of expertise, skills and experience.

Continuing Development Programme for Directors

All Directors have attended the Mandatory Accreditation Programme as required by Bursa Securities. The Directors are mindful that they should receive appropriate continuous training by attending seminars and courses to keep themselves abreast on matters relating to their duties and responsibilities as Directors. The Board delegates its role to the NRC, which in turn assesses the training needs for the Directors.

Directors also receive regular business briefings at Board meetings. These briefings are intended to provide Directors with information on each area of the Group's business, in particular regarding performance, key issues, risks and strategies for growth. In addition, Non-Executive Directors are also encouraged to visit the Group's operations to increase their exposure to the business.

The Company Secretary will also facilitate in organizing internal and external programmes, training sessions, workshops and seminars for Directors and keeps a complete record of the training received and attended by the Directors.

During the year under review, the Directors attended and participated in programmes, conferences and seminars that covered the areas of corporate governance, finance, sustainability and relevant industry updates which they considered as useful for the effective discharge of their duties.

The details of the seminars and training programmes attended by the Directors during the financial year ended 31 May 2020 are set out below:

1.	**Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican**	
	• Bursa Malaysia Thought Leadership Seriew - Leadership Greatness in Turbulent Times: Building Corporate Longevity	26 Jun 2019
	• Corporate Liability on Corruption – A Basic Awareness & Implementation Framework	28 Aug 2019
	• Corporate Governance Case Study Workshop for Independent Directors: Towards Boardroom Excellence	9 Oct 2019
2.	**Tan Sri Dato' Kok Onn**	
	• Corporate Liability on Corruption – A Basic Awareness & Implementation Framework	28 Aug 2019
3.	**Boey Tak Kong**	
	• Cyber Security in the Boardroom – Accelerating from Acceptance to Action	27 Jun 2019
	• Demystifying the Diversity Conundrum: The Road to Business Excellence	5 Jul 2019
	• Avoiding Competition Law Violations – Formulating an Effective Compliance Policy	17 Jul 2019
	• Corporate Liability on Corruption: "Is Your Organisation Ready To Safeguard Its Directors, Top Management And Personnel Against A Corruption Prosecution?"	18 Jul 2019
	• Audit Committee Institute Breakfast Roundtable 2019	6 Aug 2019
	- Corporate Liability	
	- Governance Revelations from Inquest Reports	
	- Business Continuity Management (BCM)	
	• Bursa Malaysia Diversity Xperience The Board "Agender"	2 Oct 2019
	• Corporate Governance Case Study Workshop – Independent Directors: Towards Boardroom Excellence	9 Oct 2019
	• Evaluating Effective Internal Audit Function – Audit Committee's Guide on How To	15 Oct 2019
	• The Malaysian Budget 2020 Making the Leap Towards Mutual Prosperity	22 Oct 2019
	• Budget Talk 2020 "Shared Prosperity: Engendering High Quality Inclusive Growth Towards High Income Economy"	28 Oct 2019
	• Session on Corporate Governance and Anti-Corruption	31 Oct 2019
	• Malaysia's Audit Oversight Board Conversation with Audit Committee	8 Nov 2019
4.	**Kok Pei Ling**	
	• Corporate Liability on Corruption – A Basic Awareness & Implementation Framework	28 Aug 2019
	• Session on Corporate Governance and Anti-Corruption	31 Oct 2019
	• Integrated Reporting (IR): A Vision for Better Corporate Reporting	13 Feb 2020
5.	**Huang Shi Chin**	
	• Independent Directors Programme: The Essence of Independence	27 Jun 2019
	• Corporate Liability on Corruption – A Basic Awareness & Implementation Framework	28 Aug 2019
	• Session On Corporate Governance and Anti-Corruption	31 Oct 2019

Corporate Governance Overview Statement

III Remuneration of Directors and Senior Management

The Board aims to provide attractive and well-structured remuneration which are sufficient to attract, retain and motivate Directors and Senior Management to drive the Company's strategic objectives, business sustainability and create long-term value for shareholders.

The Board has adopted a remuneration policy to provide a clear and guiding principles for determining the remuneration of the Board and Senior Management to support its objectives. The remuneration policy of the Company is available for reference at the Company's website at www.gadang.com.my.

The NRC is responsible to oversee the implementation of the remuneration policy and structure, and reviews and recommends matters relating to the terms of employment and remuneration for Directors and Senior Management to the Board.

The Board collectively determines the remuneration for the Independent Directors based on the NRC's recommendation. Each of the Independent Directors abstains from deliberating and voting on their own remuneration.

The aggregate Directors' Remuneration paid to the Directors by the Company for the financial year ended 31 May 2020 is as follows:-

Directors	Directors' Fees[1] RM	Salary & Bonus RM	Other Emoluments[2] RM	Share Option Expenses RM	Benefits-in-kind RM	Total RM
Executive Directors						
Tan Sri Dato' Kok Onn	-	1,463,000	-	72,470	49,600	1,585,070
Kok Pei Ling	-	559,650	68,481	65,220	17,100	710,451
Non-Executive Directors						
Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican	100,000	-	34,000	-	-	134,000
Boey Tak Kong	80,000	-	34,000	18,630	-	132,630
Huang Shi Chin	60,000	-	19,000	-	-	79,000
Total	**240,000**	**2,022,650**	**155,481**	**156,320**	**66,700**	**2,641,151**

(1) *Approval obtained as a lump sum at the last AGM for the financial year ended 31 May 2020.*

(2) *Other emoluments for Non-Executive Directors include annual leave passage and meeting allowances.*

In addition to the above, all Directors have the benefit of Directors and Officers (D&O) Liability Insurance which covers them against their personal legal liability in their capacity as Directors of the Company. The Directors shall not be indemnified in the event of any negligence, fraud, breach of duty or breach of trust proven against them.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I Audit Committee

The Audit Committee (**AC**) is chaired by an Independent Non-Executive Director who is distinct from the Chairman of the Board. All members of the AC are financially literate, with the Chairman and another member of the AC are also members of Malaysian Institute of Accountants.

The current AC comprises three (3) members, all of whom are Independent Non-Executive Directors. It is required under the Terms of Reference of AC for a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC. The Terms of Reference of the AC are available on the Company's website.

The membership of the AC, meeting & attendance, training, summary of work and summary work of the internal audit function are set out on pages 40 to 45 under Audit Committee Report of this Annual Report.

External Auditors

Through the AC, the Company has established a formal and transparent relationship with the external auditors in seeking professional advice and ensuring compliance with the relevant accounting standards.

It is the policy of the AC to meet with the external auditors three (3) times a year to discuss their audit plan, audit findings and the Company's financial statements. At least two (2) of these meetings are held without the presence of the Executive Directors and Management. The AC also meets with the external auditors whenever it deems necessary. In addition, the external auditors are also invited to attend the AGM of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of their audit report.

The AC is responsible for the annual performance review and nomination for appointment or re-appointment by the Board of the Company's external auditors. Each year, the AC will evaluate the external auditors in fulfilling their duty to make an informed recommendation to the Board whether to retain the auditors. The annual review and assessment of the quality of audit is carried out through an assessment checklist based on four (4) key areas covering quality of the service provided; sufficiency of audit firm resources; quality of the communication and interactions with the external auditors and the independence, objectivity and professional scepticism as set out in the Company's External Auditors Policy.

In addition to performing their own assessment, the AC may also request the Chief Financial Officer and the finance personnel (who have substantial contact with the external audit team) to perform the annual assessment of the External Auditors.

Based on the External Auditors Assessment Result for the financial year 2020, the AC and the Board are satisfied with the quality of service, sufficiency of resources provided, communication, independence, objectivity and professionalism demonstrated by the External Auditors in carrying out their functions.

Being satisfied with the External Auditors' performance, the Board recommends their re-appointment for shareholders' approval at the forthcoming AGM.

II Risk Management and Internal Control Framework

The Board, with the assistance from the Risk Management Committee (RMC) and Board Risk Committee (BRC), is responsible for the governance of risk by ensuring that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets.

The BRC comprises three (3) Independent Non-Executive Directors and is responsible to oversee the Company's risk management framework and policies.

Corporate Governance Overview Statement

The Group has in place a Risk Management Policy which is reviewed yearly to ensure it remains relevant and up-to-date. As required by the policy, Management operates a risk management process to identify, evaluate and report significant risks within the business and to report to the Board on how those risks are being managed. Risks are highlighted through a number of different reviews and culminate in a risk register, monitored by the RMC across the Group, which identifies the risk area, the probability of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level. The RMC's report is tabled to the BRC for review and evaluation on a quarterly basis. The BRC then presents a summary of its deliberations and decisions to the Board.

The Board has established an in-house internal audit function for the Group, which is independent of the operations of the respective operating units. The principal role of the department is to undertake independent, regular and systematic reviews of the financial and operating systems and internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. It is the responsibility of the Internal Audit Department ("IAD") to provide the AC with independent and objective report on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements. The internal audit reports are presented together with the Management's response and proposed action plans to the AC quarterly.

The details of the Company's risk management and internal control framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I Communication with Stakeholders

The Company recognises the importance of communicating with its shareholders to ensure that its strategy and performance is understood and that it remains accountable to shareholders.

Various announcements and disclosures to the Bursa Securities made during the year, including the timely release of financial results on a quarterly basis and the distribution of annual reports and circulars, provide shareholders and the investing public with an overview of the Group's performance and operations.

The MD/CEO and/or Chief Financial Officer will meet with institutional shareholders and analysts on ad-hoc basis to promote better understanding of the Group's financial performance and operations.

The Company's website, www.gadang.com.my provides an avenue for providing information about the Company and the Group and receiving feedback from the stakeholders.

II Conduct of General Meetings

The Group supports and encourages active shareholders' participation at general meetings. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and Senior Management of the Company, and to interact with them.

The Board ensures that shareholders are given sufficient notice and time to consider the resolutions that will be discussed and decided at the AGM. Each item of ordinary business included in the notice of the AGM will be accompanied by an explanatory statement on the effects of the proposed resolution. The Company held its 26th AGM on 6 November 2019 with the Notice and Agenda of the AGM issued to the shareholders on 27 September 2019 (this being 39 days before the AGM date). The Notice and Agenda were also published in the local English newspapers and made available on the Company's website.

The 2019 AGM was attended by all Directors and Key Senior Management of the Company. The Chief Financial Officer (CFO) conducted a brief presentation on the Group's performance for the year and its business outlook. Shareholders were encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Answers and clarifications, where appropriate, were provided by the Directors and Senior Management of the Company. The proceedings of the AGM were recorded in the minutes of the meeting and made available on the Company's website within three weeks after the meeting.

The Company has also introduced electronic voting (e-voting) facilities to ensure that the mandatory poll voting process at all general meetings are carried out efficiently. The voting at the 26th AGM was conducted through the e-voting system and a Poll Administrator was appointed to conduct the polling process.

The Corporate Governance Overview Statement is made in accordance with the resolution of the Board dated 2 September 2020.

A copy of the Corporate Governance Report on disclosure on application of each practice in MCCG 2017, can be downloaded in the Company's website, Corporate Governance Section of Gadang Holdings Berhad at www.gadang.com.my.

Audit Committee Report

A. MEMBERSHIP

The current Audit Committee ("**AC**") comprises the following three members, all of whom are Independent Non-Executive Directors:-

Boey Tak Kong – Chairman

Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican

Huang Shi Chin

The current composition is in compliance with Paragraph 15.09(1)(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") where all three AC members are Non-Executive Directors as well as Independent Directors. None of the Independent Directors has appointed alternate directors.

Mr Boey Tak Kong and Mr Huang Shi Chin being members of the Malaysian Institute of Accountants, fulfil the requirements of Paragraph 15.09(1)(c) of the MMLR of Bursa Securities. The other member of the AC, Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican is financially literate and is able to analyse and interpret financial statements to effectively discharge his duty and responsibility as member of the AC.

The composition of the AC also complies with Practice 8.2 of the Malaysian Code on Corporate Governance ("MCCG") 2017 which states that a former key audit partner shall not be appointed as a member of the AC until the expiry of a 2-year cooling-off period. No former audit partner has been appointed as a member of the AC to date.

B. TERMS OF REFERENCE

The Terms of Reference ("TORs") of the AC set out the authority, duties and responsibilities of the AC and are accessible for reference on the Company's website at www.gadang.com.my.

C. MEETINGS AND ATTENDANCE

The AC met five (5) times during the financial year as part of its standard schedule of meetings. No supplementary meetings were necessary in the year. The details of AC members' attendance records can be found under the Corporate Governance Overview Statement on page 31 of the Company's Annual Report 2020.

The AC meeting was always held before the Board's meeting. This is to ensure that all critical issues highlighted can be brought to the attention of the Board on a timely basis.

The AC meetings were always attended by the Chief Financial Officer, Group General Manager Finance, Group Accountant, Risk Manager and Head of Group Internal Audit. The Chief Executive Officer was also invited to attend the AC meetings to facilitate direct communication as well as to provide clarification on audit issues and the Group's operations. Other members of Senior Management also joined the meetings for specific topics upon request. The representatives of the external auditors attended three (3) of the AC regular meetings and had private sessions with the AC twice, in the absence of Management.

Minutes of each AC meeting were recorded and tabled for confirmation at the next AC meeting and subsequently presented to the Board for notation.

D. TRAINING

For the year under review, the members of the AC have attended various trainings and the details of the trainings attended are reported under the Corporate Governance Overview Statement on page 35 of the Company's Annual Report 2020.

Site visits

The AC members also visit operations within the Group on an ongoing basis to develop their knowledge of business operations and to gain first hand insight to the control environment. During the year, the members of the AC conducted status visits at Tun Razak Exchange (TRX) project in Kuala Lumpur, Klang Valley Mass Rapid Transit (KVMRT) Package V206 project in Seri Kembangan, Selangor and Cyberjaya Hospital project in Selangor to assess the actual development and initiatives carried out on the said projects.

E. SUMMARY OF WORK

Among the five meetings held during the year, the AC had two separate meetings for reviewing the annual results. Four meetings concentrated on internal control and internal audit related items while five meetings focused on accounting and financial reporting matters.

The work performed by the AC during the financial year 2020 included:-

1. Financial Reporting

In overseeing the Company's financial reporting, the following matters were reviewed and discussed by the Audit Committee before being recommended and presented to the Board for approval:-

a) The Company's quarterly financial statements including the draft announcements pertaining thereto for 4th quarter 2019, 1st quarter 2020, 2nd quarter 2020 and 3rd quarter 2020 were deliberated at the AC meetings held on 24 July 2019, 23 October 2019, 22 January 2020 and 14 May 2020 respectively.

b) The audited financial statements of the Company and the Group for the year ended 31 May 2019 were deliberated at AC meeting held on 4 September 2019.

The review was to ensure the disclosure of information presented a true and fair view of the Company's and the Group's financial position and performance and in compliance with the applicable laws, regulatory requirements and best practice.

To safeguard the integrity of the financial information, the AC considered reports from the Chief Financial Officer and the Divisional Heads on the scope and outcome of their quarterly review and liaised with the Internal Auditors, External Auditors and Management, as and when required.

2. Annual Reporting

The Audit Committee Report, Statement on Corporate Governance and Statement of Risk Management and Internal Control for insertion into the Company's 2019 Annual Report were reviewed and deliberated at its meeting held on 4 September 2019 before their release to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

Audit Committee Report

3. External Audit

a) On 24 July 2019 and 4 September 2019, the AC reviewed the findings of the External Auditors' reports for the financial year ended 31 May 2019, particularly the issues raised on goodwill impairment, revenue recognition for construction contracts and revenue recognition for property development activities together with Management's response to their findings, including the key audit matters.

The audit issues raised by the External Auditors were deliberated and monitored. The AC pays particular attention to matters it considers to be important by virtue of their impact on the Group's results and particularly those which involve a relatively higher level of complexity, judgement or estimation by Management.

b) At the same meeting on 4 September 2019, the AC also reviewed and considered the External Auditors' recommendations for improvement in the accounting procedures and deficiencies in internal control measures that came to their attention during the course of audit for financial year ended 31 May 2019. The Management was requested by the AC to take action to adopt the changes that were raised by the External Auditors.

c) The AC had two private sessions on 24 July 2019 and 4 September 2019 with the representatives of Crowe Malaysia PLT without the presence of Management to discuss all major issues arising from the audit and any other matters the External Auditors might wish to raise. Some of the matters discussed included the External Auditors' assessment on the ethical values and integrity of Management, cooperation from the various levels of Management during the audit, the competence of the finance personnel and timeliness of information requested.

d) To assess the effectiveness of the External Auditors, the AC on 4 September 2019 undertook an annual assessment on the performance and effectiveness of the External Auditors for the financial year ended 31 May 2019, having regard to several factors including the quality of service provided, sufficiency of audit firm resources, communication and interaction and independence, objectivity and professional skepticism.

Having carried out the review described above and having satisfied itself that the External Auditors remain independent and effective, the AC recommended to the Board that Crowe Malaysia PLT be reappointed for the ensuing financial year 2020.

e) To fulfil its responsibility for oversight of the external audit process, the AC on 14 May 2020 (instead of April 2020 due to the movement control order (MCO) imposed in Malaysia) reviewed and discussed with the External Auditors, the audit plan of the Company and of the Group for year 2020 (inclusive of audit approach, scope of work and the external auditors' fee proposal) prior to the commencement of the annual audit. After some deliberations, the AC approved the Audit Planning Memorandum for the financial year ended 31 May 2020 for implementation in accordance with the audit timeline.

The AC also endorsed the proposed audit fees for the statutory audit and the said fees were duly approved by the Board.

During the year under review, the total fees paid and payable to the External Auditors and its affiliates are set below:-

	2020	
	Group RM	Company RM
Statutory audit fees	392,000	68,000
Non-audit fees (for Taxation Affairs)	288,216	18,300
Total	**680,216**	**86,300**

4. Internal Audit Function

a) On 24 July 2019, 23 October 2019, 22 January 2020 and 14 May 2020, the AC reviewed the internal audit reports, auditor's recommendations and Management's responses to each recommendation.

b) On 22 January 2020, the AC reviewed the 2020 internal audit plan to ensure adequate audit scope and coverage of the key risks areas of business operations of the Group are carried out.

c) The AC also reviewed in every quarterly AC meeting, the status report on actions implemented by management to rectify the outstanding audit issues to ensure control lapses are addressed.

5. Related Party Transactions

a) On 4 September 2019, the AC reviewed the recurrent related party transactions of a revenue or trading nature for inclusion in the circular to shareholders in relation to the proposed renewal of shareholders' mandate for recurrent transactions pursuant to the Listing Requirements of Bursa Securities for the Board's approval.

b) The AC also reviewed the methods and procedures for recurrent related party transactions to make sure that the Group has in place adequate procedures to monitor, track and identify the said transactions to ensure that they are conducted at arm's length and on normal commercial terms.

c) The AC reviewed the recurrent related party transactions on a quarterly basis to ascertain that the guidelines and procedures established to monitor the Recurrent Related Party Transactions have been complied with and to ensure that they are within the mandate obtained.

F. SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Board obtains adequate assurance on the effectiveness of system of internal control in the Group, through a programme of regular reviews and appraisals conducted by the internal auditors, who report directly to the AC. The Board has established an in-house internal audit function for the Group. The Group Internal Audit ("**GIA**") comprises three staff, is led by the Head of Group Internal Audit who reports functionally to the AC and administratively to Executive Director/Chief Financial Officer. The incumbent, Mr. Alan Tham has over 20 years of internal audit and financial management experience, covering insurance industry, hospitality sector and FMCG business. Mr. Alan Tham holds a Bachelor of Commerce (Major in Accounting) and is a Certified Information System Auditor (CISA).

The internal audit function is guided by the approved Internal Audit Charter with unrestricted access to areas of Group's operational activities, and source records considered necessary to adequately discharge the internal audit duties and functions or investigation engagement. The internal audit function is independent of the activities of other operating departments and undertakes to review in depth all work processes of the Group activities and its relationship with third parties.

Audit Committee Report

The internal audit adopts the Internal Control Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) to assist in the design and recommendations for internal controls in business and operating environments. The audit engagement is performed in accordance with the Institute of Internal Auditors International Professional Practices Framework ("IPPF") and Supplemental Guidance to govern code of ethics and to sustain internal audit effectiveness.

During the financial year, the GIA undertook the following audit activities:-

a) prepared the internal audit plan 2020, which was reviewed and approved by the Audit Committee, and updated where necessary.

b) completed a total of seven audit engagements (June 2019 to May 2020) covering the following processes:

   i) Business process review – GCC (C3) Occupational Safety and Health Management System (OSHMS) covering the following audit scope:
      - Policy, roles and responsibilities
      - Organisation and accountability
      - HSE planning & safety plan implementation
      - HSE performance & monitoring
      - HSE action for continual improvement

   ii) Business process review – V206 Occupational Safety and Health Management System (OSHMS) covering the following audit scope:
      - Policy, roles and responsibilities
      - Organisation and accountability
      - HSE planning & safety plan implementation
      - HSE performance & monitoring
      - HSE action for continual improvement

   iii) Business process review – Hospital IT equipment and information system tender & sourcing management covering the following audit scope:
      - Tender preparation and selection process
      - Tender invitation and documentation
      - Tender evaluation and management
      - ICT tender costing management

   iv) Business process review – Hospital equipment and machineries tender & sourcing process covering the following audit scope:
      - Equipment scope identification and documentation
      - Tender invitation, selection and testing management
      - Medical equipment tender costing management

v) Business process review – Property investment & development division covering the following:
- Marketing and sales admin
  - Agents appointment and commission payment management
  - Sales program, collection management and reporting
- Finance and accounts
  - Collection management, ageing and compliance reporting
  - Property agent commission management and approval

vi) Setup and designed Internal Control Framework for Section 17A of MACC Amendment Act 2018 to establish the following audit scope:
- Investigation manual
- Anti-bribery testing toolkits

vii) Business process review – RUSB (Water Division) covering the following:
- Timeliness of financial reporting
- Completeness of payment documentation and approval
- Completeness and compliance of human resources operations
- Compliance of plants operations procedures and water quality management

c) examined and aligned the Company's Internal Control System Framework, including periodically reviewing controls, organising assessments and ensured effectiveness of the internal control system.

Internal audit reports were issued to the Management of the operating units audited, highlighting the findings on any systems and control weaknesses together with recommendations for improvement. Management implements the corrective and preventive actions based on agreed deadlines. These reports, together with follow-up audit reports, were tabled to the AC quarterly for deliberations and process improvement.

A total of some RM432,220 was incurred by the Company for maintaining the internal audit function for the year under review.

Statement on Risk Management and Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance 2017 ("MCCG") issued by Securities Commission of Malaysia in April 2017, requires listed companies to maintain a sound system of risk management and internal controls to safeguard shareholders' interest and the Group's assets. Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the directors of public listed companies are required to include a Statement on Risk Management and Internal Control in the Annual Report on the state of risk management and internal controls framework during the year under review.

BOARD'S RESPONSIBILITY

The Board of Directors ("Board") is pleased to present the Statement on Risk Management and Internal Control of the Group comprising the Company and its subsidiary companies, excluding its associated company.

The Board affirms its overall responsibility and commitment to maintaining an effective risk management framework and internal control to safeguard shareholders' interest and the Group's assets, in accordance with Principle B of the MCCG. In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business objectives. Accordingly, the system can only provide reasonable but not absolute assurance against material misstatement or loss.

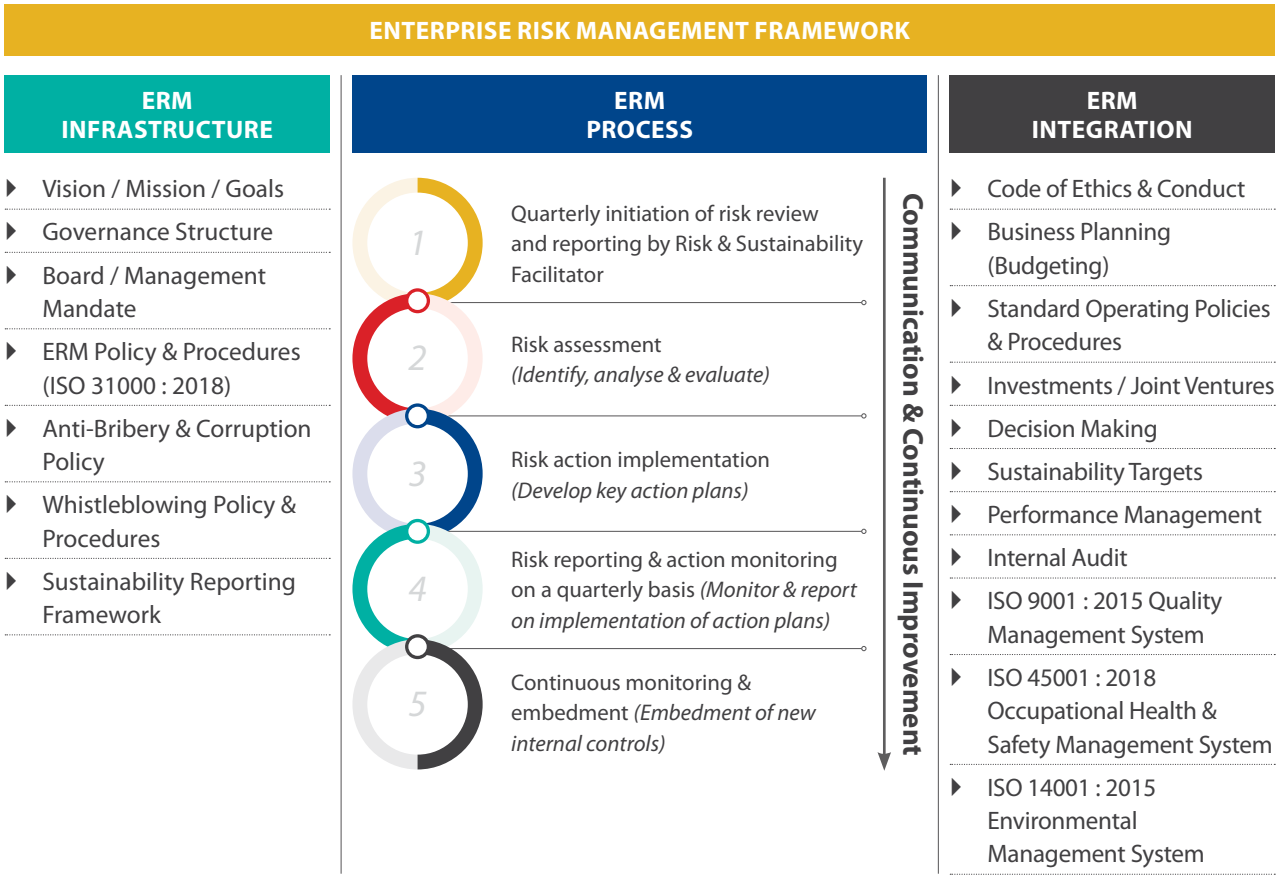
The Board confirms that there is an ongoing process of identifying, analysing, evaluating, treating and monitoring the significant risks faced by the Group and the process has been in place for the year and up to the date of approval of this Statement for inclusion in the Annual Report. The process is reviewed regularly by the Board and is in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

The Board has received assurance from the Group Managing Director cum Chief Executive Officer and Chief Financial Officer ("CFO") that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system framework implemented by the Group.

KEY FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL

1. Risk management

The Company's Enterprise Risk Management ("ERM") framework is illustrated below.



The ERM framework is benchmarked against the ISO 31000 : 2018 Risk Management – Guidelines and is designed to embed ERM into key activities, initiatives and processes of the Group. The Board reviews the ERM framework annually.

In compliance with paragraph 15.29 of the MMLR of Bursa Securities, the Board approved the Company's Anti-Bribery & Corruption Policy and Whistleblowing Policy & Procedures on 14th May 2020 for implementation. These policies and procedures are published on the Company's website. They are integrated into the Company's Code of Ethics & Conduct.

Statement on Risk Management and Internal Control

In line with the enhancements, the Company's governance structure has included a Whistleblowing Committee that reports to the Board as illustrated below.

The Board has a Board Risk Committee ("BRC") where all the BRC members are independent directors. Its Terms of Reference was enhanced to include corruption risk in its annual risk assessment of the Group and to ensure that the Anti-Bribery & Corruption Policy and Whistleblowing Policy & Procedures are reviewed at least once every three years to assess their effectiveness.

The Company continued with its sustainability reporting which integrates Economic, Environmental and Social risks and opportunities into the Company's risk framework to reduce exposure to both financial and non-financial risks, improve productivity and optimise operating cost. This year, we have taken a step further to map the Key Result Areas and Key Performance Indicators ("KPIs") for key sustainability matters in each business division to four sustainability pillars i.e. Business Front, Environment, Workplace and Community. Please refer to the Sustainability Statement on pages 58 to 90 for more details.

The Risk Management Committee ("RMC") meets on a quarterly basis to review the significant risks faced by the Group. The RMC assessed the controls and actions in place to mitigate and manage risk exposure, raised their concerns and may recommend further mitigating actions. The RMC reports to the BRC on a quarterly basis where key risks and mitigating actions are deliberated. The BRC then presents a summary of their deliberations and decisions to the Board. The Board evaluates the adequacy and effectiveness of the risk management system.

a) Operating risk

Operating risk management ranges from managing strategic operating risks to managing diverse day-to-day operational risks. The management of the Group's day-to-day operational risks includes those relating to supply chain, marketing and sales, project completion, health and safety, human capital and regulatory compliance; and is mainly decentralised at the business unit level and guided by standard operating policies and procedures.

Operational risks that cut across the organisation including those relating to treasury management, transfer pricing and group sustainability are coordinated centrally.

Some of the key risks that were presented to the Board were as follows:-

Project completion

Construction projects which were facing completion risk were highlighted to the Board, with root causes identified, the impacts and mitigating action plans. Additional resources in terms of manpower and machinery were mobilised to the projects to mitigate delay including engagement with clients and / or contractors to accelerate works due to unforeseen delays. Where delay events prevented the completion of the works and they were beyond the Company's control, applications for Extension of Time were registered with the client. Accountability for managing project risks rests with the Project Director and Project Manager.

Workplace health and safety

Our construction workforce is exposed to workplace health and safety risk due to risk inherent in the construction activities. In addition, at the construction sites, water, air and noise pollution are inevitable. Incidents and accidents at site may still occur due to human error or negligence. To ensure incidents are minimised, health and safety policies are implemented and the observation of compliance is carried out by site safety personnel. Safety personnel at site performs daily walkabout inspection of work practices. They also monitor occupational accident statistics regularly and provide recommendations for improvement. Besides our employees, we also engaged the contractors in the implementation and enforcement of safety procedures and practices. On-site safety training is carried out at site on a regular basis. The client also performs site walkabout and Non Conformance Report and / or Stop Work Order are issued to ensure health and safety are prioritised.

In response to the Covid-19 global pandemic, we keep abreast and are fully committed to abide by the Covid-19 requirements issued by the authorities i.e. the Ministry of Health, Ministry of International Trade and Industry ("MITI") and Construction Industry Development Board. In addition, a Special Task Force for Covid-19 led by our CFO was set up to deal with issues related to Covid-19. Various guidelines and Standard Operating Procedures ("SOPs") including the Covid-19 Conditional Movement Control Order "The New Normal" was established and implemented across the Group to ensure the health and safety of employees are protected. We ensured that all foreign workers at our project sites undergo the Covid-19 screening tests before we allowed them to resume work in compliance with the guidelines issued by MITI, National Security Council and Ministry of Works during the Conditional Movement Control Order. All our foreign workers tested negative for Covid-19. Group Health, Safety and Environment Department also conducted Covid-19 audits at Gadang Headquarters ("HQ") and all Gadang Engineering (M) Sdn Bhd project sites to ensure proper implementation of the SOPs. Based on the audit results, we concluded that HQ and project sites are in compliance to the Covid-19 requirements set by the authorities. In order to prevent the potential spread of the virus or infection to employees, we also implemented a face recognition attendance system and KipleLive Face Recognition Thermal Scanner at the entrance of the HQ. These new contactless technologies are able to identify employees even when they are wearing a protective mask.

Regulatory compliance

The Group's businesses are governed by relevant laws & regulations, standards, licenses and concession agreements. The Group manages these regulatory risks by: -

- Keeping updated with new laws & regulations by attending seminars, conferences and training programmes organised by the authorities or external training providers.
- Initiate and implement appropriate policies and procedures to ensure non-compliance risk is mitigated.
- Maintaining communication with the authorities and external auditor to ensure compliance.

Statement on Risk Management and Internal Control

Inventory risk

The demand for properties could among others, be affected by the slowdown in the domestic economic environment, changes in Government policy, bank tightening their lending policies and oversupply of residential products in the market. The Property Division mitigates the inventory overhang by regularly reviewing its sales and marketing strategies to suit the market demand and condition, which include reviewing the selling price list, design unit mix and sizes in each development project to ensure that the products are value-optimised, competitive and attractive. Property agents' commission scheme is also regularly reviewed to encourage more sales.

Adapting to the new norm of social distancing due to Covid-19, we are in progress of developing our virtual reality show units to market and connect with our potential purchasers. The potential purchasers will be able to visualise themselves being a resident of the show units and navigate around the virtual version of the selected show units of each development.

b) Ad hoc investment

On ad hoc basis, the Board reviews the feasibility of investment proposals presented by the Management. During the financial year, the Board evaluated and approved Gadang Engineering (M) Sdn Bhd's acquisition of a 100% equity interest representing 250,000 ordinary shares in Yi Sheng Foundation Pte Ltd for a total cash consideration of SGD1.8 million (equivalent to RM5.53million). As a result of the acquisition, Yi Sheng became an indirect wholly-owned subsidiary of the Company.

c) Cyber & IT security risk

This risk could result in unauthorised disclosure of sensitive business information, resulting in financial or reputational loss. It may also result in the disruption of business operation.

To mitigate this risk, the IT Department had put in place the necessary infrastructure and Firewall security. The latest addition was the Firewall security device that was implemented for Datapuri Sdn Bhd. Illegal downloads of software are prohibited and monitored by the IT Department through software audits. No incident of data breaches were reported. The IT Policy & Procedure and Disaster Recovery Plan were reviewed and revised during the year.

d) Economic / Market risk

The Covid-19 pandemic had resulted in unprecedented challenges to the Construction Division such as suspension of construction works at sites, disruption of supply chains, onerous health and safety requirements, manpower shortages, etc. The economy was badly hit. Some major infrastructure projects were put on hold or deferred by the government and this had affected the Construction Division's order book replenishment.

To mitigate this risk, the Construction Division has to manage the present projects prudently, implement cost savings initiatives and optimise resource usage to expedite works to boost revenue and profit. Besides tendering for federal government projects, the division will also be exploring state government and private sector projects.

The property market remains subdued and soft, amid the oversupply of residential and commercial properties and poor buyer sentiments. The general market momentum of the property segment remains challenging.

The Property Division will continue to focus on landed properties and affordable housing where demand is still resilient. More innovative and aggressive marketing strategies are implemented to boost the sales of completed inventory.

e) Sustainability

The Group has in place a sustainability governance structure as described in the Sustainability Statement. Economic, Environmental and Social sustainability risks and rewards are described in greater detail in the Sustainability Statement on pages 58 to 90.

f) Liquidity

The Group has an obligation to fulfil the scheduled payments for new land bank acquired and to service project financing from financial institutions for its operations. As a growing Group which is reliant on a combination of both equity and borrowings to fund its operations, the Group may be adversely affected by shortfall in anticipated cash flows. The Group continues to strengthen its treasury function by monitoring the Group's cash flow requirement and ensuring adequate financial facilities to support the Group's current and future needs. The engagement with key bankers is on a continuous basis to be more aware of the respective bank's lending appetite and to explore new funding opportunities. The Group also monitors its borrowing repayment maturity profiles and financial covenants and to ensure that its gearing is within acceptable level.

2. Audits

a) Internal audit

The Group Internal Auditors assist the Audit Committee in the discharge of its duties and responsibilities to independently review and report on the adequacy and integrity of the Group's financial reporting, internal control systems and risk management practices. The Audit Committee approved the updated 2019 to 2020 audit plan based on risk based internal audit ("RBIA") approach in January 2020. RBIA is an audit methodology with the support of an audit heat map, to focus, identify and prioritise inherent risks involved in operations or system. The RBIA objective is to provide assurance that management of risk and internal controls are in an adequate and effective control environment.

The internal audit planning adopts COSO's Internal Control Integrated Framework to assist in the design and recommendations for internal controls in business and operating environments. The audit engagement is performed in accordance with the Institute of Internal Auditors International Professional Practices Framework ("IPPF") and Supplemental Guidance to govern code of ethics and to sustain internal audit effectiveness.

The Internal Auditors established an Internal Control Framework to carry out audit testing on operational units to assess the effectiveness of internal controls vis-à-vis established policies and procedures and best practices to identify potential process and cost improvement. They present their audit reports on the effectiveness of internal controls, significant risks, non-compliance and weaknesses observed with recommendations for remedial action to the operating management and thereafter to the Audit Committee. They also follow up on the management corrective action plans in response to the internal audit findings and report the progress of implementation to the Audit Committee.

The Audit Committee deliberated on the audit issues and actions taken by Management, with the quarterly Audit Committee minutes duly extended to the Board for notation. For more details of the internal audit assignments carried out during the year, please refer to pages 43 to 45.

Statement on Risk Management and Internal Control

b) External audit

The External Auditor's annual audit planning memorandum in relation to the audit services on the Group's financial statements were reviewed and approved by the Audit Committee. The External Auditors, through the Audit Committee, provides the Board with limited assurance as to the control environment in which the Group operates. This is demonstrated by the external auditor's reports, particularly issues raised in the management letter together with management's response to their findings.

3. Organisation structure and limits of authority

Formally defined and documented lines of responsibility and delegation of authority has been established through the relevant terms of reference, organisational structures and appropriate authority limits. Hierarchical reporting is also in place to enhance the Group's ability to achieve its strategies and operational objectives as well as provide for documented and auditable trail of accountability.

Various Board and Management Committees have been established to assist the Board in discharging its duties. Among the committees are: -

- Audit Committee
- Nomination & Remuneration Committee
- Board Risk Committee
- Risk Management Committee
- Group Management Committee
- Procurement Committee
- Disciplinary Committee
- Whistleblowing Committee
- Employee Share Option Scheme Committee

4. Nomination & Remuneration Committee ("NRC")

The NRC assists the Board to review and recommend appropriate remuneration policies for Directors and Senior Management to ensure that their remuneration commensurate with their performance. The NRC also reviews and recommends candidates to the Board and evaluates the performance of Directors (including Board Committees) on an annual basis.

5. Management meetings

The Group Management Committee ("GMC") meets bi-monthly to review and resolve key operational, corporate, financial, legal and regulatory matters. The minutes of GMC meetings are included in the papers for quarterly Board meetings. The Board is kept informed of the operational progress and / or issues and the mitigation plans.

6. Employee Share Option Scheme ("ESOS") Committee

The ESOS Committee administers options and / or shares under the ESOS and regulates the securities transactions in accordance with established regulations and by-laws.

7. Planning, monitoring and reporting

a) An annual business planning and budgeting policy is in place, requiring all business divisions to prepare business plans and budgets for the forthcoming year. The Heads of Divisions present the business plans and budgets to the Board before the start of a new financial year. There is an interactive dialogue between the Board and the Heads of Divisions and amongst others, the risks, challenges and assumptions are deliberated upon before the Board approves the business plans and budgets for implementation.

b) Premised on the approved business plans, KPIs are established for each Operating Division. The KPIs are then cascaded to their subordinates to align with the strategic business objectives.

c) On a quarterly basis, the Group Finance and Accounts personnel presents to the Board, the actual financial performance for each Operating Division against the budget. Financial performance variances are explained to the Board.

d) There is a regular and comprehensive flow of information to the Board and Management on all aspects of the Group's operations to facilitate the monitoring of performance against the Group's corporate strategy and business plan. On a quarterly basis, the Head – Human Capital & Support Services tracks the progress of KPIs achievement by the Heads of Divisions and reports the progress to the Group Managing Director cum Chief Executive Officer.

e) On a quarterly basis, the Group Finance and Accounts Department reviews and updates the profit forecast for the year, in consultation with Heads of Divisions and / or project leaders. On a monthly basis, a rolling cash flow forecast is prepared for review and monitoring by the CFO.

8. Policies and procedures

Elements of internal control have been embedded and documented in the form of policies and procedures to strengthen controls for financial management and operations. They serve as an operating guide to employees in their day-to-day work administration. Accountability and responsibility for key processes have been established in the policies and procedures. These policies and procedures are reviewed at least once a year and updates, if any, are communicated promptly to the employees.

9. Financial reporting

Adequate processes and controls are in place to ensure proper and correct recording of financial information and timely generation of up-to-date financial statements. The Audit Committee and the Board monitor and review the Group's performance and results at quarterly meetings, deliberating on the quarterly financial statements, key financial and operational performance results.

10. Whistleblowing

The Company has an established Whistleblowing Policy and Procedures which is made available on the Company's website. It is intended to assist the reporting individual to report to the appropriate channel, any suspected and / or known misconduct, wrongdoing or inappropriate behaviour relating to corrupt practices, fraud and / or abuse involving the Company's resources.

Statement on Risk Management and Internal Control

REVIEW OF ADEQUACY AND EFFECTIVENESS

The Board is satisfied that the risk management and internal control system are operating adequately and effectively for the year under review, and up to the date of approval of this Statement. The internal controls are sound and sufficient to safeguard shareholders' interest, the interest of customers, regulators, employees and other stakeholders, and the Group's assets.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the MMLR of Bursa Securities, the External Auditors have reviewed this Statement on Risk Management and Internal Control to the scope set out in the Audit and Assurance Practice Guide 3 ("AAPG 3") - Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by Malaysian Institute of Accountants.

Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is the Statement factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and Management thereon. The Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

This Statement on Risk Management and Internal Control was approved by the Board of Directors on 2nd September 2020.

Additional Compliance Information

- **Material Contracts**

There were no material contracts other than those in the ordinary course of business entered into by the Company or its subsidiary companies involving Directors' and major shareholders' interests during the financial year.

- **Recurrent Related Party Transactions of a Revenue or Trading Nature**

At the last Annual General Meeting held on 6 November 2019, the Company had obtained a mandate from its shareholders to allow the Company and/or its subsidiaries ("Gadang Group") to enter into recurrent related party transactions of a revenue or trading nature and provision of financial assistance ("Recurrent Transactions") with related parties.

In accordance with Paragraph 10.09(2)(b) of Bursa Securities Main Market Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended 31 May 2020 pursuant to the said shareholders' mandate are as follows:-

Name of Related Party	Relationship	Nature of Transactions	The Company	Aggregate Value RM
Kok Khim Boon	Kok Khim Boon is the brother of Tan Sri Dato' Kok Onn who is the Managing Director cum Chief Executive Officer and major shareholder of Gadang	Provision of sub-contract works	Gadang Group	10,865,049

- **Employees' Share Option Scheme ("ESOS")**

The Company had granted options under ESOS governed by the By-Laws that was approved by the Company's shareholders at the Extraordinary General Meeting held on 3 November 2016. The ESOS is to be in force for a period of 5 years from 6 December 2016 to 5 December 2021. There is one (1) ESOS in existence during the financial year ended 31 May 2020 with information as follows:-

a) The total number of options granted, exercised and outstanding under the ESOS

	As at 31 May 2020	
	Grand Total	Directors
Total number of options granted	100,481,700	8,851,000
Total number of options exercised	(15,272,900)	(2,940,100)
Total number of options lapsed	(15,093,700)	(1,035,000)
Total options outstanding	70,115,100	4,875,900

Additional Compliance Information

b) Percentage of options applicable to Directors and Senior Management under the ESOS

Granted to Directors & Senior Management	During the financial year ended 31 May 2020	Since commencement of the ESOS on 6 December 2016
Aggregate maximum allocation in percentage	50.0%	50.0%
Actual percentage granted	-	40.9%

c) The options applicable to Non-Executive Director in respect of the financial year ended 31 May 2020

Name of Non-Executive Director granted	Granted	Exercised	Balance
Boey Tak Kong	-	-	745,200

- **Utilisation of Proceeds Raised from Corporate Proposals**

As at 31 May 2020, the status of the utilisation proceeds raised under the Private Placement Exercise which was completed on 12 June 2019 is set out below:-

Purpose	Proposed utilisation RM	Actual utilisation RM	Balance unutilised RM	Intended timeframe for utilisation from date of listing on 12 June 2019
Construction projects expenditure	37,069,440	(21,800,000)	15,269,440	Within 24 months
Repayment of bank borrowings	13,500,000	(13,500,000)	-	Completed
Expenses relating to the Private Placement	383,000	(383,000)	-	Completed
Total	**50,952,440**	**(35,683,000)**	**15,269,440**	

Sustainability Statement

Sustainability Statement

ABOUT THIS SUSTAINABILITY STATEMENT

Gadang Holdings Berhad ("Gadang") recognises the importance and is committed to embedding sustainability in our operations to perpetually pursue value for all our stakeholders. Instead of merely reporting our performance for the Economic, Environmental and Social matters like what we did in the past, in this year, we have taken a step further to map the Key Result Areas ("KRAs") and Key Performance Indicators ("KPIs") for key sustainability matters in each business division to four sustainability pillars i.e. Business Front, Environment, Workplace and Community. Refining these will enable our employees to have a better understanding of our collective contributions to the business' sustainability.

GADANG SUSTAINABILITY PILLARS

ECONOMIC	ENVIRONMENTAL	SOCIAL	
Business Front Deliver quality products & services and maintain good corporate governance	**Environment** Manage the environmental impacts in the areas that we operate	**Workplace** Develop talents & recognise employees' contributions and provide a safe and conducive workplace	**Community** Giving back to the communities

Diagram 1 *- Gadang Sustainability Pillars*

REPORTING PERIOD AND SCOPE

Our 3rd Sustainability Statement covers our sustainability management and performance data from 1 June 2019 to 31 May 2020, and the comparative data where applicable. The reporting scope encompasses Gadang and our active subsidiaries – collectively referred to as the "Company" or "Group" including the Utility Division, which is operating in Indonesia. We have four water treatment concessions in Indonesia with a total water production capacity close to 1,100 litre / second and a mini-hydro power plant, which is under construction.

REPORTING PERIOD
1 June 2019 - 31 May 2020

REPORTING CYCLE
Annually

GUIDELINE
Bursa Malaysia's Sustainability Reporting Guide

ENGINEERING & CONSTRUCTION

- ✓ Gadang Engineering (M) Sdn Bhd ("GESB")
- ✓ Datapuri Sdn Bhd ("DSB")

Key Projects:

- Mass Rapid Transit Line 2: Package V206 ("MRT Line 2 – V206")
- Bridge & Tunneling Works for TRX City Sdn Bhd ("TRX Package C3")
- Cyberjaya Hospital
- Public Realm Works at Tun Razak Exchange ("TRX Package C6")
- Petronas Fire Fighting Training Ground ("FFTG")
- North-South Steel bridge at Tun Razak Exchange ("TRX Package C9")

PROPERTY DEVELOPMENT

- ✓ Mandy Corporation Sdn Bhd ("MCSB")
- ✓ Gadang Land Sdn Bhd ("GLSB")
  - Hillstrand Development Sdn Bhd ("HDSB")
  - Tema Warisan Sdn Bhd ("TWSB")

Key Projects:

- Phase 2A, PR1MA TWO Homes
- Phase 2B, Maple Residence
- Elegan Residensi @Taman Putra Perdana

UTILITY

- ✓ Regional Utilities Sdn Bhd ("RUSB")
  - Asian Utilities Pte Ltd ("AUPL")
    - PT. Taman Tirta Sidoarjo ("TTS")
    - PT. Hanarida Tirta Birawa ("HTB")
    - PT. Bintang Hytien Jaya ("BHJ")
    - PT. Dewata Bangun Tirta ("DBT")
    - PT. Ikhwan Mega Power ("IMP")

Diagram 2 *- Our Reporting Period and Scope*

REPORTING FRAMEWORK

In preparing this statement, we referred to Sustainability Reporting Guidelines and Toolkits – 2nd Edition issued by Bursa Malaysia and aligned our sustainability matters to United Nations Sustainable Development Goals ("SDGs").

INDEPENDENT ASSURANCE

We have not sought any external assurance for the current statement. However, we strive to continuously enhance the collection, analysis and reporting of relevant data to provide our stakeholders with a better insight into our sustainability management and performance data.

FEEDBACK

Risk Management Department
Wisma Gadang
No. 52, Jalan Tago 2
Off Jalan Persiaran Utama
Sri Damansara
52200 Kuala Lumpur
Tel : + 603 6279 6382
Fax : + 603 6279 6376
Email : risk@gadang.com.my

SUSTAINABILITY GOVERNANCE

A strong and effective governance structure is imperative in order to embed sustainability in the Company and strengthen the trust and confidence of stakeholders. Our sustainability governance structure has clear lines of accountability starting from the tone set by the Board in directing the business strategies and its commitment in ensuring KRAs and KPIs are aligned to the business plan and objectives to ensure business continuity and long-term stakeholder value creation.

BOARD OF DIRECTORS ("BOARD")

Reviews and approves the overall strategic plans for the Company whilst maximising stakeholders' value through the management of financial (business growth, profitability, etc) and non-financial indicators, including economic, environmental and social ("sustainability") related matters arising from its business activities

BOARD RISK COMMITTEE ("BRC")

Supports the Board by monitoring the implementation of the strategic plans by the Management

RISK MANAGEMENT COMMITTEE ("RMC")

- Chaired by the Group Managing Director cum Chief Executive Officer
- Supported by the respective Heads of Business Divisions to achieve the Company's sustainability objectives
- Accountable for the development and implementation of sustainability strategies
- Provides status updates on sustainability performance

RISK & SUSTAINABILITY FACILITATOR ("RSF")

Supports the RO & SWG

RISK OWNERS ("RO") & SUSTAINABILITY WORKING GROUP ("SWG")

- Chaired by the Chief Financial Officer ("CFO") and represented by risk owners i.e. Heads of Departments ("HODs") and representatives from various departments across all business divisions in Malaysia and Indonesia
- Sets the scope of sustainability management measures and drive the implementation and monitoring of sustainability management, across all business divisions whilst promoting interdepartmental collaboration
- Identifies, assesses and reports on sustainability risks and opportunities relevant to the Company's operations, providing progress updates on sustainability activities performance, and oversees the production of the Company's sustainability disclosures to ensure compliance with the regulatory requirements and subsequently recommends it for approval

Diagram 3 *- Sustainability Governance Structure*

Sustainability Statement

OUR STAKEHOLDER ENGAGEMENT

Our stakeholder engagement process includes both formal and informal approach to understand their needs and concerns in order to align their key interest with our Company's strategies and business operations. Details as shown in ***Table 1***.

STAKEHOLDER GROUP	ENGAGEMENT CHANNEL	FOCUS AREA	OUTCOME	OUR RESPONSE *(Kindly refer to respective sections of the statement)*
Board of Directors	• Board meetings • Annual General Meeting • Corporate / Company events • Email correspondences • Stakeholder Engagement Surveys	✓ Business strategy ✓ Financial performance ✓ Environmental practices ✓ Human capital management ✓ Client satisfaction ✓ Occupational Health & Safety	Aligned strategic plans that maximise shareholders' value	Business Front, Environment & Workplace, pg. 66 – 86
Investors / Shareholders	• Annual General Meeting • Investor relation activities • Public announcements • Corporate website • Annual report	✓ Financial performance ✓ Quality of services & operations ✓ Information security ✓ Timely & transparent disclosure ✓ Environmental practices ✓ Occupational Health & Safety ✓ Staff development & training	Positive reputation amongst investors / shareholders	Business Front, Environment & Workplace, pg. 66 – 86
Employees	• Regular meetings • Learning & development programmes • Campaigns • Sports Club activities • Stakeholder Engagement Surveys • Sustainability activities	✓ Information security ✓ Fair employment practices ✓ Staff development & training ✓ Company performance ✓ Business ethics & compliance	Improved staff engagement	Business Front, pg. 66 – 70 & Workplace, pg. 78 – 86
Clients / Customers	• Client / Customer satisfaction surveys • Sales & marketing channels of business divisions • Exhibitions • Corporate website • Stakeholder Engagement Surveys	✓ Accessible & affordable housing ✓ Quality of services & operations ✓ Information security ✓ Environmental practices	Recurring business opportunities	Business Front & Environment, pg. 66 - 77 & Community, pg. 87 – 90
Government / Regulatory Authorities	• Ad hoc public invitations • Site visits • Conferences • Participation in organised programmes • Stakeholder Engagement Surveys	✓ Information security ✓ Compliance to regulatory requirements ✓ Business ethics & compliance	Better understanding of Company's sustainability commitment Compliance with laws & regulations	Business Front & Environment, pg. 66 – 77
Contractors, Vendors, Suppliers	• Supplier / Subcontractor evaluations • Regular meetings • Stakeholder Engagement Surveys	✓ Corporate governance practices ✓ Terms of contract & payment ✓ Client satisfaction ✓ Occupational Health & Safety ✓ Staff development & training	Better understanding of Company's sustainability commitment	Business Front, pg. 66 – 70 & Workplace, pg. 78 – 86
Business Partners	• On-going communication & visits • Stakeholder Engagement Surveys	✓ Collaboration & market synergy ✓ Occupational Health & Safety ✓ Staff development & training	Recurring business opportunities	Business Front, pg. 66 – 70 & Workplace, pg. 78 – 86

STAKEHOLDER GROUP	ENGAGEMENT CHANNEL	FOCUS AREA	OUTCOME	OUR RESPONSE *(Kindly refer to respective sections of the statement)*
Media / Analyst	• Press conferences • Media releases / interviews • Ad hoc meetings	✓ Timely & transparent disclosure ✓ Environmental practices	Better understanding of Company's performance	Business Front & Environment, pg. 66 – 77
Local Communities / NGOs	• Meetings & visits • Community development programmes	✓ Accessible & affordable housing ✓ Environmental practices ✓ Community development ✓ Contribution to society	Better social relationship	Environment, pg. 71 – 77 & Community, pg. 87 - 90

Table 1 *- Details of Our Engagement with Stakeholders*

MATERIALITY ASSESSMENT

We adopted a structured materiality assessment process to identify and assess the significance of sustainability matters to our business and most importantly, our stakeholder groups.

The process began with a Sustainability Working Group ("SWG") Kick off Meeting 2020 attended by 28 representatives of Management across various business functions to review the relevancy of the previous year's sustainability matters to our business and stakeholders.

We considered both internal and external factors such as risks arising from rapid changing environment, regulatory requirements and stakeholders' expectations, and also considered any new sustainability matters which we may not have addressed. We reviewed the significance of each sustainability matter to the Company, by taking into account the degree of impact and likelihood of the occurrence of events associated with these identified sustainability matters.

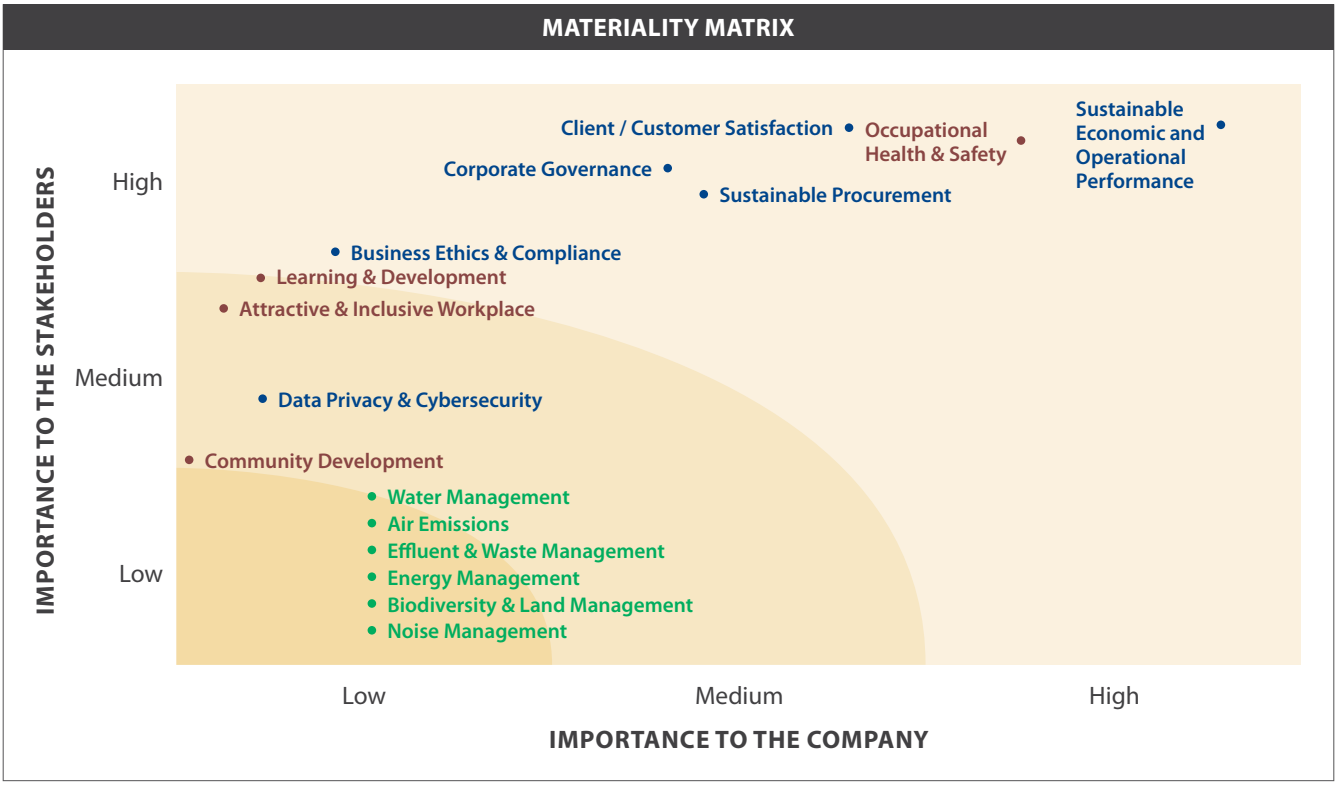
Diagram 4 *- Materiality Assessment Process*

Sustainability Statement

During this annual exercise, we identified Corporate Governance as a material sustainability matter due to the increasing demand from stakeholders for continuous improvement and transparency in reporting as well as to ensure compliance with the Malaysian Anti-Corruption Commission (Amendment) Act 2018. We took a step back for business expansion & strategic partnership / collaboration in view of the current challenging and depressed economic environment at the national and global front, primarily due to the Covid-19 pandemic. The materiality assessment process enables us to prioritise the sustainability matters which have the most impact on our ability to create long-term value to our stakeholders.

We engage our key stakeholders, i.e. Board of Directors, employees, contractors, vendors, suppliers, clients, shareholders, regulatory authorities and business partners, through surveys annually to gauge their perceptions on the level of importance of identified sustainability matters to ensure that the sustainability matters reported are aligned to their needs.

The results from the SWG Kick Off Meeting 2020 and data collected from the surveys are used to update the materiality matrix as shown in ***Diagram 5***.



Legend	Economic, Environmental & Social Impacts
Economic	**Economic** refers to impact of Company's business operations on the economic conditions of its stakeholders & on economic systems at local, national & global levels. It does not focus on the financial condition of the Company
Environmental	**Environmental** refers to the impact of Company's business operations on the living & non-living natural systems, including land, air, water, ecosystem and climate change
Social	**Social** refers to the impact of Company's business operations on the social systems within which it operates

Diagram 5 *– Materiality Matrix*

Out of the 16 sustainability matters identified, the top 5 sustainability matters are shown in the diagram below:

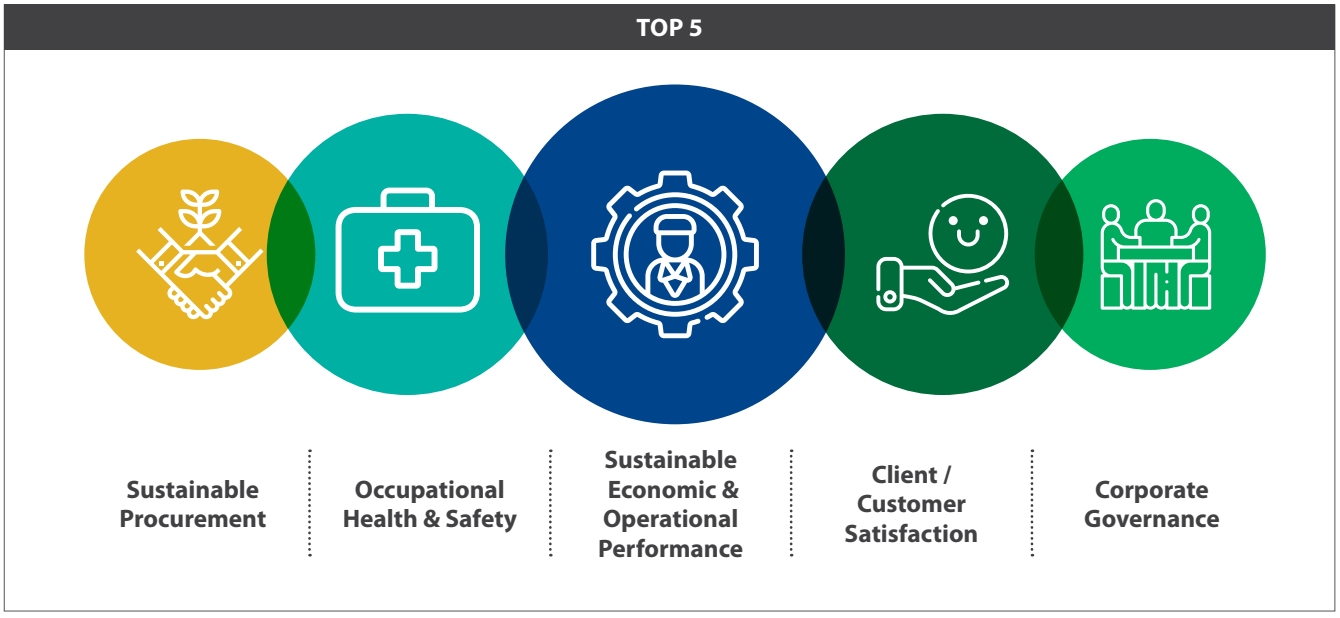


Diagram 6 *- Top 5 Sustainability Matters*

Please refer to the page numbers stated below for the snapshot on our achievements which demonstrated how we have addressed the stakeholders' concern on the top 5 sustainability matters.

Top 5 Sustainability Matters	**Our Achievements** ***(Kindly refer to respective sections of the statement)***
Sustainable Economic & Operational Performance	Commitment to operational excellence, pg. 67 - 69
Occupational Health & Safety	Occupational Health & Safety, pg. 79 - 82
Client / Customer Satisfaction	Managing our clients / customers expectation, pg. 70
Sustainable Procurement	Procurement management, pg. 70
Corporate Governance	Commitment to corporate governance, pg. 69

Table 2 *- Our Achievements for Top 5 Sustainability Matters*

Sustainability Statement

Every year, we discussed with our SWG members to identify and refine our Sustainability Targets. Our FYE2020 Sustainability Targets show our sustainability performance and how these various targets are contributing towards the achievement of SDGs and the outcome for the Company. The targets are mapped to our four Sustainability Pillars.

Sustainability Pillars	Sustainability Matters	Target	Progress Update	Outcome for the Company	SDGs
Business Front	Sustainable Economic & Operational Performance	Provide affordable and clean energy to the community in Lintau.	Construction of mini-hydro plant is in progress.	Additional revenue stream for the Company upon commercial operation.	11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
		Continue to optimise resources and address unproductive assets.	Disposal / Write off of assets at Net Book Value of RM2.4 mil.	Increase in cash flow amounting to RM6.1 mil and recorded a gain of RM3.9 mil. Stopped carrying depreciation cost for unproductive assets in Statements of Profit or Loss.	
		Upgrade to ISO 45001 : 2018 Occupational Health & Safety Management Systems.	Completed.	Strengthen health and safety policy and procedures.	
	Corporate Governance	Revise Code of Ethics & Conduct.	Completed.	Strengthen bribery and corruption prevention efforts for good governance and comply with relevant Acts.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
		Develop Anti-Bribery & Corruption Policy.	Completed.		
Environment	Energy Management	Install solar panel in Gadang Headquarters ("HQ").	Completed in March 2020.	Savings on electricity bill. Contribute to the reduction of carbon dioxide ("CO_2") emission, hence reducing the carbon footprint and mitigate climate change.	7 AFFORDABLE AND CLEAN ENERGY
	Air Emissions	Raise awareness on climate change among employees.	a) Climate Reality Talk at Gadang HQ in collaboration with Free Tree Society ("FTS") on 7 Jan 2020.	Offset the carbon footprint and mitigate climate change as each tree is equivalent to 21kg of CO_2 offset. Raise climate change and environmental protection awareness.	13 CLIMATE ACTION
			b) Trees Planting at Bangsar Nursery in collaboration with FTS on 22 Feb 2020.		

Sustainability Pillars	Sustainability Matters	Target	Progress Update	Outcome for the Company	SDGs
Workplace	Occupational Health & Safety	Continue to improve on health & safety			8 DECENT WORK AND ECONOMIC GROWTH
		a) Zero fatalities	Achieved.	Good safety culture has a positive impact on Company reputation and investor perception of the competency of the Safety & Health team, the emphasis on the wellbeing of our employees and the general public. Zero compensation cost and / or reprimand by authorities and / or stop work order.	
		b) Reportable incident rate of less than 3	Not Achieved.	Following incidents / accidents at project sites, response plan will need to be submitted to client that incorporates additional preventive measures.	
		c) Lost Time Injury ("LTI") frequency rate of less than 0.27	Not Achieved.	Same as (b)	
		d) Number of LTI not more than 5	Achieved.	Same as (a)	
Community	Community Development	Maintain scholarship initiative, social contribution and community donation	Approved scholarship - RM149,250 Corporate Social Responsibility & Donation - RM873,128	Better branding for Company by giving back to communities.	3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 11 SUSTAINABLE CITIES AND COMMUNITIES

Table 3 *- Sustainability Targets*

Sustainability Statement

FYE2020 Business Front Highlights

BEST CEO AWARD
at Focus Malaysia's Best Under Billion Awards 2019

CYBERJAYA HOSPITAL CIDB SHASSIC SCORE 4-STAR RATING (85%)
GESB received the award in August 2019

PHASE 2B MAPLE RESIDENCE CIDB QLASSIC SCORE 85%
MCSB received the award in January 2020

Revised
- ✓ **Code Of Ethics & Conduct**
- ✓ **Whistleblowing Policy & Procedures**
- ✓ **IT Policy & Procedure and Disaster Recovery Plan**

Implemented
- ✓ **Anti-Bribery & Corruption Policy**

TRX biggest lifting operation
which involved 1,600 tonne giant crane

Implemented
DSB's NAS and Firewall security device

Upgraded
Gadang Holdings Berhad & GLSB's servers

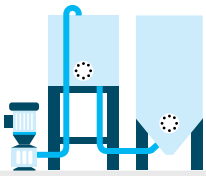
Launched
New Property Division website

Passed
VMWare Licensing Self Review Audit

ZERO
Data Breaches

Deployed
MHW Road Runner App

Developing
virtual reality show units



100% Purchased Locally in Indonesia
Materials & equipment used for water treatment plants

ISO 9001 : 2015 QMS
GESB, DSB, TTS, HTB & DBT

Diagram 7 *- FYE2020 Business Front Highlights*

BUSINESS FRONT

Commitment to operational excellence

Under the leadership of our Group Managing Director ("MD") cum Chief Executive Officer ("CEO"), we continuously strive to improve and sustain our business.

In November 2019, our Group MD cum CEO, Tan Sri Dato' Kok Onn, was awarded the Best CEO Award at Focus Malaysia's Best Under Billion Awards 2019, for excellence in leading and guiding the Company towards greater heights. Our Chief Financial Officer, Kok Pei Ling received the award on behalf of our CEO. The assessment was based on criteria such as leadership skills, dynamism and business acumen. KPMG Management & Risk Consulting worked with Focus Malaysia to filter the winners and the final decision was validated in consultation with the firm.

We continue to focus on providing quality products and services to our clients / customers. In August 2019, our Cyberjaya Hospital achieved a score of 4-Star rating (85%) for Sistem Penilaian Keselamatan dan Kesihatan dalam Pembinaan ("SHASSIC") from Construction Industry Development Board ("CIDB").

CIDB MALAYSIA
SHASSIC

SISTEM PENILAIAN KESELAMATAN DAN KESIHATAN DALAM PEMBINAAN (SHASSIC)

TAJUK PROJEK

PROPOSED DEVELOPMENT OF CYBERJAYA HOSPITAL (288 BEDS) ON LOT 47686 AND H.S(D) 28779 PT NO. 41461 AT PERSIARAN MULTIMEDIA, CYBER 11, CYBERJAYA, MUKIM DENGKIL, DAERAH SEPANG, SELANGOR.

PEMAJU / PEMILIK : CYBERVIEW SDN. BHD.

KONTRAKTOR UTAMA : GADANG ENGINEERING (M) SDN. BHD. (G7) 1960426-WP001223

SATU PENILAIAN TAHAP KESELAMATAN DAN KESIHATAN DALAM PEMBINAAN BERDASARKAN CIS 10:2018 TELAH DIJALANKAN OLEH PIHAK CIDB MALAYSIA DI TAPAK BINA PROJEK PADA 07 OGOS 2019 DI MANA TAHAP KEMAJUAN PEMBINAAN 38%

SKOR SHASSIC BAGI PROJEK DI ATAS ADALAH 85%

ANUGERAH BINTANG ★★★★

DATUK Ir. ELIAS ISMAIL
Pengurus Besar Kanan
Sektor Pembangunan Teknologi
b.p. Ketua Eksekutif CIDB Malaysia

Lembaga Pembangunan Industri Pembinaan Malaysia
CONSTRUCTION INDUSTRY DEVELOPMENT BOARD MALAYSIA
www.cidb.gov.my

S/No: 1339

Sustainability Statement

For our Phase 2B Maple Residence – Double Storey Terrace Homes development, we aimed to achieve the Quality Assessment System In Construction ("QLASSIC") with a score of 80 and above. As a result of our continuous efforts in ensuring the products delivered are up to standard, we achieved an impressive score of 85% from CIDB during the QLASSIC assessment in January 2020.

CIDB MALAYSIA

Sijil QLASSIC

(Sistem Penilaian Kualiti Bagi Projek Pembinaan)

Tajuk Projek :

PEMBANGUNAN PERUMAHAN BERSTRATA FASA 1 YANG MENGANDUNGI; A) 72 UNIT RUMAH TERES 2 TINGKAT (22' X 85') - JENIS A, B) 68 UNIT RUMAH TERES 2 TINGKAT (22' X 85') - JENIS B, C) 54 UNIT RUMAH TERES 2 TINGKAT (22' X 70') - JENIS C, D) 2 UNIT PENCAWANG ELEKTRIK, E) 1 PONDOK PENGAWAL, F) 1 UNIT PUSAT KOMUNITI PENDUDUK DI PERSIARAN LAMAN VIEW, CYBER 9, CYBERJAYA, MUKIM DENGKIL, DAERAH SEPANG, SELANGOR DARUL EHSAN

No. Permohonan : SL 19 A0082 C [P]

Tarikh Penilaian : 13 - 15 JANUARI 2020

Pemaju/Pemilik : HILLSTRAND DEVELOPMENT SDN BHD

Kontraktor (Utama) : MANDY CORPORATION SDN BHD

No. Pendaftaran Syarikat : 881705-H

No. Pendaftaran CIDB : 0120140311-WP155661

Mata CCD : 20 MATA

Gred : G7

Skor QLASSIC :

85%

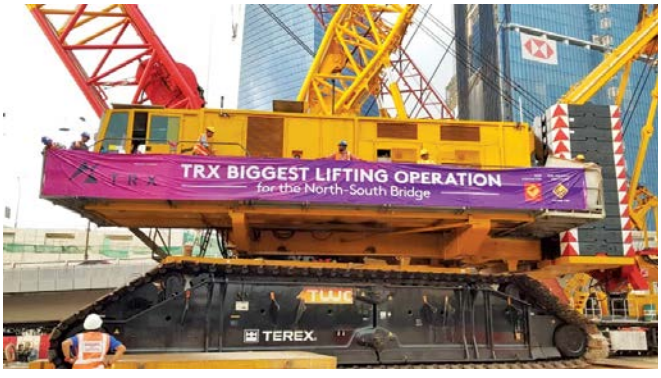
S/No : 01885

DATUK IR. ELIAS ISMAIL
Timbalan Ketua Eksekutif
CIDB Malaysia
b.p. Ketua Eksekutif CIDB Malaysia

Lembaga Pembangunan Industri Pembinaan Malaysia

We are committed to delivering quality projects and services through continuous operational excellence. Our local and overseas subsidiaries including GESB, DSB, TTS, HTB and DBT continue to maintain their ISO 9001 : 2015 Quality Management System ("QMS").

We are proud to be the contractor for Tun Razak Exchange ("TRX") North-South Bridge which will connect the developments of North and South parcels of TRX financial district. The TRX North-South Bridge is spanning across one of the busiest trafficked routes in Kuala Lumpur city centre namely Jalan Sultan Ismail, the SMART Tunnel, Jalan Kampung Pandan Flyover and several smaller slip roads. Due to presence of crucial infrastructures i.e. the Kampung Pandan Flyover and the SMART Tunnel which are located within the centre of the TRX North-South Bridge, we have engineered the TRX biggest lifting operation by using a giant 1,600-tonne capacity crane, Demag CC8800-1. We successfully launched the extraordinary 66.9 metres long TRX North-South Bridge without the need for additional columns at its centre. The precise engineering, meticulous planning, careful preparation and close coordination with all parties involved had resulted in the smooth and safe execution of the work, with the adjacent crucial infrastructures carefully considered and kept in place safely. The extensive engineering study with critical technical consideration and paramount emphasis on safety, in carrying out this super-heavy lift in an urban on-set, is an invaluable experience as well as proven track record for our team to continue to excel in future projects.



On the property side, adapting to the new norm of social distancing due to Covid-19, we are in progress of developing our virtual reality show units to market and connect with our potential purchasers. The potential purchasers will be able to visualise themselves being a resident of the show units and navigate around the virtual version of the selected show units of each development.

Commitment to corporate governance

In line with good corporate governance practices, we are committed to operate our business in an ethical manner and to uphold the highest standards of professionalism and exemplary corporate conduct. During the year, we revised our Code of Ethics and Conduct ("COEC") to incorporate anti-corruption policy to comply with Section 17A - Corporate Liability on Corruption of the Malaysian Anti-Corruption Commission ("MACC") (Amendment) Act 2018. The COEC is applicable to all employees, including the directors.

We also have a standalone Anti-Bribery and Corruption ("ABC") Policy to spell out clearly the Company's stand on bribery and corruption and conducts which are prohibited. The ABC Policy is applicable to our directors, employees as well as persons associated with Gadang. It reiterates our commitment to ensure full compliance with the MACC Act 2009, MACC (Amendment) Act 2018 and any other local anti-bribery or anti-corruption laws that may be applicable. Training on these policies will be provided to all directors, employees and persons associated with Gadang.

We encourage employees and persons associated with Gadang to report unethical or unlawful matters via our Whistleblowing reporting procedures.

These policies are reviewed and approved by the Board of Directors. They are made accessible to the public on our website at gadang.com.my and are summarised in ***Diagram 8***.

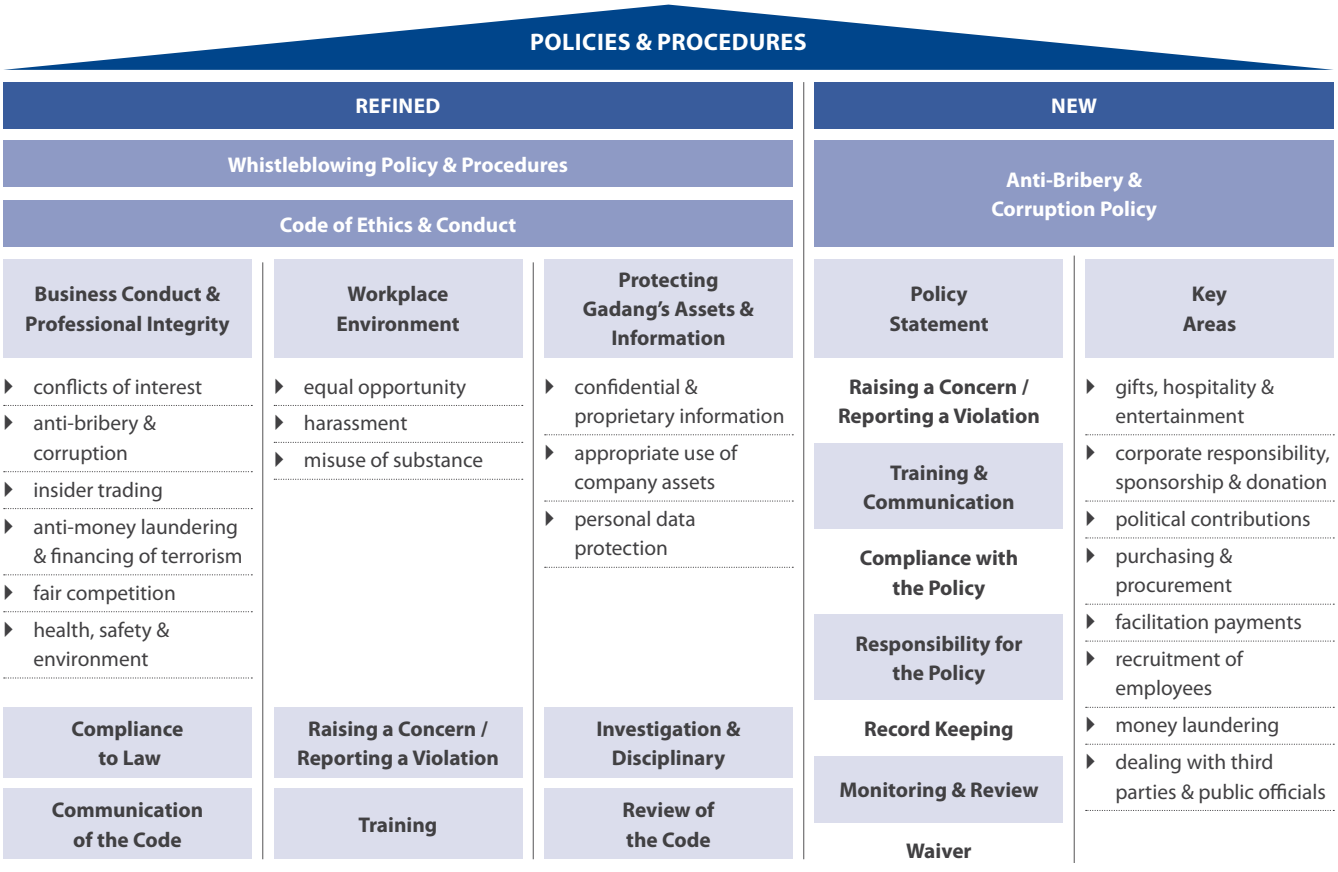


Diagram 8 *- Policies & Procedures*

Sustainability Statement

Procurement management

Our Procurement Committee ensures that the process of procurement is according to Group policies and the required materials, supplies, plant and machinery, equipment and sub-contract services are procured at the most favorable and competitive terms, without compromising their quality, technical requirements and timeliness of delivery. Sustainable materials are considered during sourcing to support the use of environment friendly materials.

Reliable contractors and suppliers play an important role to help us achieve our quality objectives. We conduct evaluation on our contractors and suppliers to ensure that they are of sufficient capabilities and quality. We exclude under-performing ones to ensure the quality of our products and services.

We promote the development of local economy in the countries that we operate by hiring / dealing with local contractors, suppliers and work force. Materials and equipment used for the water treatment plants in Indonesia are 100% sourced and purchased locally. Opportunities are given to small and medium enterprises who are performing well to encourage and support their business growth.

Managing our clients / customers expectation

We engage our clients / customers frequently through meetings, visits, surveys and other discussion platform to gauge the level of our clients / customers' satisfaction. We ensure that prompt responses are given to our clients / customers when issues are raised by them.

Based on the analysis of data collected from client satisfaction surveys for construction projects, we achieved the score of above average, 3.9 out of 5.

As for our customer satisfaction surveys for Phase 2A PR1MA TWO Homes, we achieved the score of above average, 3.6 out of 5. 84% of the customers who responded said that they will consider to purchase our future development and will recommend our development to friends.

To enhance our services and efficiency to customers, we have deployed a digital platform, the MHW Road Runner App for handling vacant possession and defects management of Phase 2A PR1MA TWO Homes and Phase 2B Maple Residence. MHW Road Runner App caters to both Android and iOS users and is used to schedule appointments for handing over of property and keys to owners and tracking of defects.

We have also launched our Property Division website at gadangland.com.my which is user friendly and allows our potential purchasers to have a better browsing experience.

Protecting data privacy and improving our cybersecurity

Protection of data, information and intellectual property belonging to stakeholders against security breaches are important with the increasing threats to cybersecurity. During the year, we upgraded our Gadang Holdings Berhad and GLSB's servers, and implemented DSB's Network Attached Storage ("NAS") and Firewall security device. We also conduct software audits to ensure compliance with software licensing requirements and prevent the illegal download of software by employees. No incident of data breaches were reported during the reporting period.

In July 2019, Gadang Holdings Berhad participated in VMware International Ltd ("VMware") Licensing Self Audit Review. VMware had concluded that the software was deployed in accordance to the terms and conditions of the applicable license agreement.

Annually, we reviewed and updated our IT Policy and Procedure and Disaster Recovery Plan to ensure the guidelines for managing the security of our IT infrastructure and offsite disaster recovery facility remain relevant.

We comply with relevant requirements as prescribed under the Personal Data Protection Act 2010 ("PDPA"). Our purchasers and employees are well notified of the PDPA requirements. Purchasers are required to sign the PDPA Notice in accordance with statutory compliance. PDPA Notice for purchasers is also posted on our Property Division website at gadangland.com.my

FYE2020 Environment Highlights

MRT LINE 2 - V206 Scheduled Waste Management Campaign
GESB organised in December 2019

Office Recycling Programme
December 2019

Climate Reality Talk
January 2020

Trees Planting at Bangsar Nursery
February 2020

Installed solar panel on the rooftop of Gadang HQ
March 2020

ISO 14001 : 2015 EMS
GESB

CYBERJAYA HOSPITAL Appreciation of Best Practice on Solid Waste Management 2019
GESB received the certificate in November 2019

CYBERJAYA HOSPITAL Certificate of Appreciation as Rakan Strategik SWCorp
GESB received the certificate in December 2019

CYBERJAYA HOSPITAL Reused > 5% of Total Material Costs

CYBERJAYA HOSPITAL Recycled 68% of Construction Waste

CYBERJAYA HOSPITAL Used > 30% of Recycled Content Materials

CYBERJAYA HOSPITAL 63% of Wood Based Materials
comply with Forest Stewardship Council & Malaysian Timber Certification Council requirement

Diagram 9 *- FYE2020 Environment Highlights*

Sustainability Statement

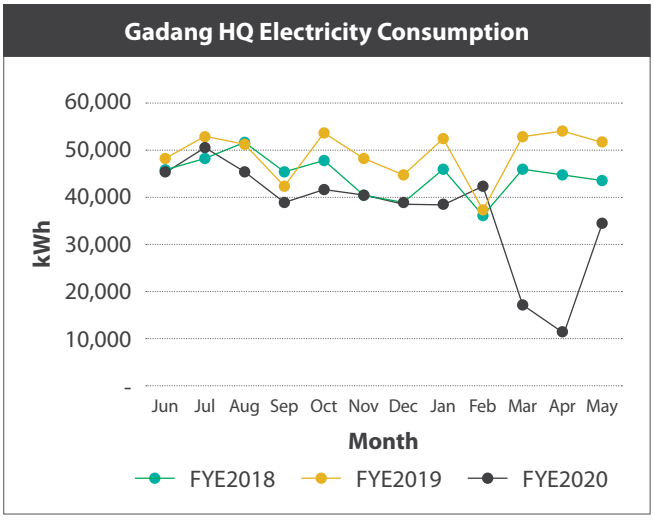
ENVIRONMENT

Managing environmental impact

As climate change and environmental pollution pose significant risks to the humans, animals and other living things on earth, we endeavor to raise awareness and manage the environmental impact from our business decision and operations.

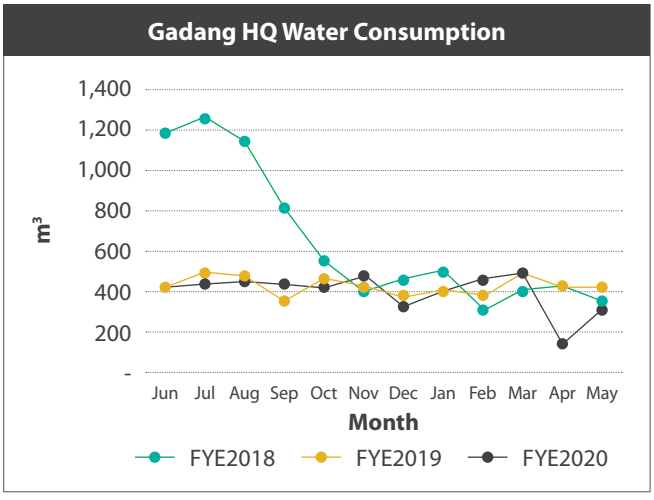
We invited Baida Jane Hercus, President of Free Tree Society to give a talk on Climate Reality to raise the awareness of employees on the impact of climate change. It was an impactful presentation on the science, impact and solutions to the climate crisis. We learnt about the local and global effects of climate change as well as what we need to do to help create a better future for the planet. It was a successful event that received overwhelming response from employees working at Gadang HQ and project sites. Our SWG Chairperson presented a token of appreciation to the President of Free Tree Society.

Subsequent to the Climate Reality Talk, we collaborated with Free Tree Society for a trees planting session at Bangsar Nursery. A group of 22 volunteers from Gadang contributed their time for this meaningful event. We spent our Saturday morning by tidying up the Bangsar Nursery and propagating more than 100 cuttings for Earth Day giveaway which falls on 22nd April each year.



We recognise that monitoring our energy and water consumption is an effective way to better manage our environmental impacts. Therefore, we continue our tracking of Gadang HQ electricity and water consumption. To reduce global warming effects, we continue to explore energy savings initiatives to reduce energy consumption. We have increased the air conditioner temperature to between 23 and 24 degree Celsius and replaced spoilt fluorescent lights with light-emitting diodes lights. These initiatives have reduced our electricity consumption for financial year 2020 by an average of 10%. The dip in March and April was due to our employees working from home due to the Movement Control Order ("MCO") to contain the spread of Covid-19.

We support the use of renewable energy to reduce climate impact and installed solar panel on the rooftop of Gadang HQ in March 2020. This will reduce CO_2 emission, hence reducing the carbon footprint and mitigate climate change. In addition, we also reap some economic benefit in the form of electricity bill savings.



Our monthly water consumption is managed within an average of 375 cubic meters, a reduction of 25 cubic meters as compared to a monthly average of 400 cubic meters last year.

We continue to maintain our ISO 14001 : 2015 Environmental Management System ("EMS") and ensure compliance with the Environmental Quality Act 1974 and other legislations throughout all stages of our construction and property development projects. We protect the environment by following a set of guidelines specified in the Environmental Management Plan of respective projects and are committed to meet the requirements provided in GESB's Health, Safety and Environment ("HSE") Manual. For projects that fall under the list of prescribed activities of the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015, an Environmental Impact Assessment is carried out to ensure appropriate mitigating measures are implemented accordingly to protect the environment.

GESB carries out monthly monitoring for air, noise and water quality at project sites. Remedial actions will be taken, if any exception is noted to protect the environment. We are guided by the various standards and guidelines in monitoring of air, noise and water quality as follows:

- Malaysian Ambient Air Quality Standard
- Planning Guidelines for Environmental Noise Limits and Control
- National Water Quality Standards

Various initiatives are implemented to manage the impact of the air, noise and water to the environment.

Sustainability Statement

Case study – Air, noise and water related initiatives implemented at MRT Line 2 - V206 project site

For the MRT Line 2 – V206 project, air quality is monitored by maintaining natural buffer zones which act as a filter for dust control, as well as ensuring exhaust emissions are within acceptable limits by maintaining all vehicles, plant and equipment in good working condition. Water bowsers are used for dust control at haul roads. It is also used to clean up soil or dirt on public roads.

Noise and vibration are managed by restricting the movement of heavy vehicles to daytime working hours and only using routes that will cause minimum disturbance in the vicinity. Construction works that have to be carried out at night are subject to approval from the client and local authorities. No major disturbances are allowed near the residential areas for work carried out at night. Noise generating equipment and machineries are inspected regularly and maintained in good working condition to reduce noise generation.

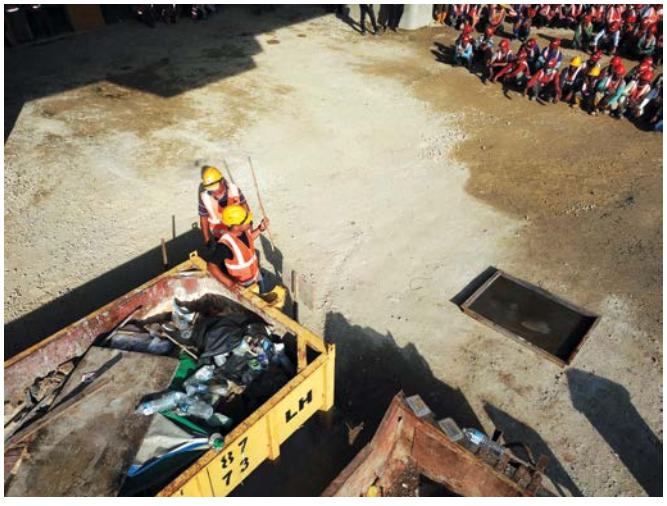
We have also added more noise barriers at residential areas which are nearby our project sites. Hoardings are installed at the site boundaries to isolate the unsightly project sites from the public area. Acoustic panels are used as temporary noise barriers at sensitive areas such as residential, university and Bomba quarters, to contain noise at working areas.

Silt traps are installed at the construction area to control total suspended solids and turbidity of water discharge from site into public drain. In-situ monitoring are carried out weekly and after rain event (rainfall more than 12.5mm) to ensure silt traps are working properly.

We strive to reduce the environmental impact from extraction and processing of virgin materials, waste generation, to conserve natural resources and protect the ecosystem.

As at May 2020, 63% of the wood-based materials used in Cyberjaya Hospital complied with Forest Stewardship Council and Malaysian Timber Certification Council requirement. This can contribute to the sustainable management of natural forest and forest plantations in Malaysia.

GESB also organised Scheduled Waste Management Campaign at MRT Line 2 - V206 project site in December 2019 which was attended by 214 workers, including our subcontractors, to educate them on the proper procedures in managing the waste. For example, scheduled wastes should be stored, labelled and disposed as per the requirements of Environmental Quality (Scheduled Wastes) Regulations 2005 and Environmental Quality (Scheduled Wastes) (Amendment) Regulations 2007. Demonstration on how to clean up oil in the water using absorbent pads was conducted during the campaign.



Sustainability Statement

Case study – Waste management at Cyberjaya Hospital

Our waste at Cyberjaya Hospital is well managed and received several recognitions from Kementerian Perumahan dan Kerajaan Tempatan ("KPKT").

Cyberjaya Hospital has been selected by KPKT as role model project for Best Practice on Solid Waste Management 2019. We received a Certificate of Appreciation in November 2019.

KPKT

KEMENTERIAN PERUMAHAN DAN KERAJAAN TEMPATAN

APPRECIATION OF BEST PRACTICE ON SOLID WASTE MANAGEMENT 2019

Sijil Penghargaan

Sekalung penghargaan dan tahniah kepada

GADANG ENGINEERING(M)
SDN. BHD.

Kategori : Pembinaan

YB PUAN HAJAH ZURAIDA BINTI KAMARUDDIN
Menteri Perumahan dan Kerajaan Tempatan

KPKT

SWCorp

SIJIL
PENGHARGAAN

Setinggi-tinggi Penghargaan dan Terima Kasih
kepada

Gadang Engineering (M) Sdn Bhd

Sebagai Rakan Strategik SWCorp Dan
Di Atas Komitmen Yang Telah Diberikan
Di Dalam Pelaksanaan
Peraturan-Peraturan Pengurusan Sisa Pepejal
Dan Pembersihan Awam
(Skim Bagi Sisa Pepejal Pembinaan) 2018

DATO' SRI HAJI MOHAMMAD BIN MENTEK
Ketua Setiausaha
Kementerian Perumahan dan Kerajaan Tempatan

In December 2019, Cyberjaya Hospital further received a Certificate of Appreciation as Rakan Strategik SWCorp for our commitment in implementing Peraturan-peraturan Pengurusan Sisa Pepejal dan Pembersihan Awam (Skim Bagi Sisa Pepejal Pembinaan) 2018 from KPKT.

Best practices at Cyberjaya Hospital:

- Competent waste contractor is appointed for the site.
- Location for roller bins, rubbish chute and rubbish rooms are allocated promptly at site.
- Waste is separated to domestic, scrap metal, timber and construction waste.
- HSE Department provides briefing to the workers about the location of roller bins, rubbish chute, rubbish rooms and dispose point or opening for rubbish chute.
- Sufficient signages are displayed for all roller bins at site.
- The site supervisor will monitor and notify the waste contractor if domestic waste is full or piled up at site for more than three days.
- Subcontractors must supply sufficient workers to join gotong royong activities arranged by GESB twice a week. It is a requirement imposed by GESB to ensure waste is properly managed at site. However, the gotong royong activities have been put on hold since the issuance of MCO by the Government.

3Rs - Reduce, Reuse and Recycle

For our Cyberjaya Hospital, we reused building materials on site such as reusable prefabricated formwork system for column, wall and slab. The reused materials constitute more than 5% of the total material costs. We also used recycled content materials for ceramic tiles, concrete, ceiling board, steel bar and etc. which constitute more than 30% of the total material costs. As at May 2020, we recycled 68% of construction waste.

We also implemented Office Recycling Programme in Gadang HQ since December 2019 to recycle the waste generated by employees. Recycle bins are provided on each floor for recycling of papers, plastics, aluminiums and etc. A dedicated bin for used face masks is also provided on each floor to ensure proper disposal of used face masks.

Managing potable water supplies to Indonesia communities

We contribute to the Indonesian Government initiatives by providing potable water to the citizens. 56% of the bulk water supply in Sidoarjo is contributed by TTS and HTB. DBT contributes 14% of bulk water supply in Gresik while BHJ contributes 2% of potable water supply for Tangerang City. The raw water from the rivers or any other surface water sources will be treated in water treatment plants to remove the pollutants, particles and bacteria to become potable water before distribution to the societies and industries. We analysed the water quality at every two hour intervals in the laboratory for raw and treated samplings to ensure that all the raw water pollutant measurement and treated effluent are in compliance to the World Health Organization and the 'Peraturan Menteri Kesehatan' (Permenkes No. 492/2010) standards requirement. Additional analysis and certification are carried out at the Balai Besar Teknik Kesehatan Lingkungan dan Pengendalian Penyakit, Kementerian Kesehatan Republik Indonesia's laboratory on monthly basis.

Sludge and sediments from backwash and sedimentation tanks are treated to an acceptable limit before discharge to the drain or river. The volume of sludge and sediments generated by the water treatment plants are significantly low at approximately 3% of the volume of treated water. The solid waste and trash from the water treatment plants and intake are collected and disposed fortnightly at the approved dump site.

Sustainability Statement

FYE2020 Workplace Highlights

ISO 45001 : 2018 Occupational Health & Safety Management System
GESB upgraded in February 2020

ZERO Fatalities

Number of LTI < 5

MRT LINE 2 - V206 ICP with UiTM on OSHCI (M) maturity assessment model

Implemented face recognition attendance system

Implemented KipleLive face recognition thermal scanner

SCHOOL AID

2020
RM57,400 for 287 Employees' Children

2019
RM52,600 for 263 Employees' Children

Conducted Healthy Lifestyle Campaign in August 2019

2-day ERT Training at Balai Bomba dan Penyelamat Sg Buloh in July & August 2019

Conducted fire drill in December 2019

MRT LINE 2 - V206 You See You Act Campaign
GESB organised in December 2019

Training

	FYE2020	FYE2019	FYE2018
Days	566	455	538
RM	149,000	179,000	135,000
Participants	403	378	474

MS 1722 : 2011 Occupational Health & Safety Management System
GESB

FFTG Excellent commitment and performance in HSE
GESB obtained in June and July 2019

FFTG Focused Recognitions for 100,000 and 230,000 safe manhours without LTI
GESB obtained in August and September 2019

TRX PACKAGE C6 Certificate of Appreciation from NIOSH
GESB obtained in November 2019

Silver Award for Employer of Choice (Private Sector)
Gadang obtained in November 2019

Diagram 10 *- FYE2020 Workplace Highlights*

WORKPLACE

Occupational Health & Safety

We are committed to the continuous improvement of our HSE policies and practices. Our top management personnel participates in HSE Management Walkabout. Key measures are implemented to prevent injuries, fatalities and occupational illness at project sites and workplace. Monthly meetings, weekly briefings, safety induction courses and refresher trainings are held to foster the safety awareness and culture across the Group. HSE trainings are conducted depending on the employees' role and project requirements.

GESB continues to maintain MS 1722 : 2011 Occupational Health and Safety Management System and successfully upgraded to ISO 45001 : 2018 Occupational Health and Safety Management System in February 2020.

SIRIM QAS

CERTIFICATE

SIRIM QAS International hereby certifies that

GADANG ENGINEERING (M) SDN. BHD.
WISMA GADANG
NO. 52, JALAN TAGO 2
OFF JALAN PERSIARAN UTAMA, SRI DAMANSARA
52200 KUALA LUMPUR
WILAYAH PERSEKUTUAN
MALAYSIA

has implemented an Occupational Health and Safety Management System complying with

ISO 45001 : 2018

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEMS - Requirements with guidance for use

Scope of Certification

PROVISION OF CONSTRUCTION SERVICES FOR BUILDING AND CIVIL ENGINEERING WORKS.

Issue date	:	11 February 2020
Original certification date	:	27 November 2015
Expiry date	:	26 November 2021
Certificate no.	:	OHS 00633

Mohd Azanuddin Salleh
Chief Executive Officer
SIRIM QAS International Sdn. Bhd.

Our FFTG project has received recognitions for demonstrating excellent commitment and performance in HSE for two consecutive months in June and July 2019 from Petronas. In addition, we also achieved recognitions for 100,000 and 230,000 safe manhours without LTI in August and September 2019 respectively.

FOCUSED RECOGNITION

PETRONAS

In conjunction with the

I&O Monthly HSE Steering Committee Meeting (June 2019)

FOCUSED RECOGNITION

With appreciation from
PETRONAS Refinery & Petrochemical Corporation

FOCUSED RECOGNITION

PETRONAS

In conjunction with the

I&O Monthly HSE Steering Committee Meeting (July 2019)

FOCUSED RECOGNITION

With appreciation from
PETRONAS Refinery & Petrochemical Corporation

FOCUSED RECOGNITION

PETRONAS

In conjunction with the

Achievement 100,000 Safe Man Hours without LTI for P14-1709 Fire Fighting Training Ground (FFTG)

FOCUSED RECOGNITION

With appreciation from
PETRONAS Refinery & Petrochemical Corporation

FOCUSED RECOGNITION

PETRONAS

In conjunction with the

Project Successful Completion and Achievement of 230,000 Safe Man Hours without LTI for P14-1709 Fire Fighting Training Ground (FFTG)

FOCUSED RECOGNITION

With appreciation from
PETRONAS Refinery & Petrochemical Corporation

Sustainability Statement

We actively participate in activities which promote and enhance awareness of health and safety. In November 2019, GESB received a Certificate of Appreciation from National Institute of Occupational Safety & Health ("NIOSH") for ensuring the success of an industrial tour for Penyelia Keselamatan Tapak Bina (SSS) at TRX Package C6.

SIJIL PENGHARGAAN

Dianugerahkan kepada

GADANG ENGINEERING (M) SDN.BHD
PROJEK PUBLIC REALM WORKS C6 for TUN RAZAK EXCHANGE CITY SDN.BHD

atas kerjasama menjayakan lawatan industri untuk kursus

PENYELIA KESELAMATAN TAPAK BINA (SSS)

pada

30 November 2019

HJ. AYOP BIN SALLEH
Pengarah Eksekutif
NIOSH

Besides Scheduled Waste Management Campaign, GESB also organised a "You See You Act Campaign" at MRT Line 2 - V206 project site on the same day as an effort to remind the workers on the importance of health and safety at work. We re-emphasised the importance of using scaffolding at work to protect the safety of workers during the campaign. We also invited officers from Fire and Rescue Department of Malaysia to provide fire demonstration to promote awareness and prevention of fire. 20 best safety performers were rewarded with gifts to encourage good safety culture.

Besides organising campaign at project sites, in August 2019 we also held a Healthy Lifestyle Campaign in Gadang HQ to foster good health and increase health and safety awareness of staff. Our programmes included free health screening, blood donation, Obesity & Weight Management talk and Gastro Esophageal Reflux Disease Talk. Our top management, including our Group Managing Director cum CEO and GESB Managing Director were also present to support the campaign held.

We had a 2-day Emergency Response Team ("ERT") Training at Balai Bomba dan Penyelamat Sungai Buloh which was attended by 31 ERT members from Gadang HQ and project sites. The ERT members were trained on the duties and responsibilities of ERT member, necessary skills of handling fire, injury and emergencies.

Sustainability Statement

Subsequent to the ERT training, we had a fire drill in December 2019 participated by 150 employees. The ERT members reinforced their skills in emergencies and evacuation, and performed life-saving actions using the available equipment and first aid kit. Officers from Balai Bomba dan Penyelamat Sungai Buloh also conducted fire demonstration to educate the employees on the proper procedures to handle fire.

In response to the Covid-19 global pandemic, we keep abreast and are fully committed to abide by the Covid-19 requirements issued by the authorities i.e. the Ministry of Health, Ministry of International Trade and Industry ("MITI") and Construction Industry Development Board. In addition, a Special Task Force for Covid-19 led by our Chief Financial Officer was set up to deal with issues related to Covid-19. Various guidelines and Standard Operating Procedures ("SOPs") including the Covid-19 Conditional MCO "The New Normal" was established and implemented across the Group to ensure the health and safety of employees are protected. We ensured that all foreign workers at our project sites undergo the Covid-19 screening tests before we allowed them to resume work in compliance with the guidelines issued by MITI, National Security Council and Ministry of Works during the Conditional MCO. All our foreign workers tested negative for Covid-19. Group HSE Department also conducted Covid-19 audits at Gadang HQ and all GESB project sites to ensure proper implementation of the SOPs. Based on the audit results, we concluded that HQ and project sites are in compliance to the Covid-19 requirements set by the authorities. In order to prevent the potential spread of the virus or infection to employees, we also implemented a face recognition attendance system and KipleLive Face Recognition Thermal Scanner at the entrance of the HQ. These new contactless technologies are able to identify employees even when they are wearing a protective mask.

Annual compliance audits are conducted by our in-house internal auditors for our projects and subsidiaries. Our HSE internal auditors conducted 4 audits which covered ISO 45001 : 2018, MS 1722 : 2011 and EMS 14001 : 2015 during the financial year. All 7 Non Conformance Reports ("NCRs") and 22 observations issued by our HSE internal auditors were closed. We also closed all 4 NCRs and 19 observations issued by SIRIM QAS International auditors.

As shown in ***Table 4***, we did not achieve our HSE target of reportable incident rate of less than 3 and LTI frequency rate of less than 0.27.

Target	FYE2020	FYE2019	FYE2018
Zero life loss	No fatalities	No fatalities	No fatalities
Reportable incident rate of less than 3	8.30	7.64	3.67
Number of LTI not more than 5	3	1	2
LTI frequency rate of less than 0.27	0.74	0.17	0.65

Table 4 *- HSE Performance*

To improve our HSE performance, GESB has collaborated with Universiti Teknologi MARA ("UiTM") on a research to develop an Occupational Safety and Health in Construction Industry (Management) ("OSHCI (M)") maturity assessment model under MRT Line 2 - V206 Industrial Collaboration Programme ("ICP"). Guideline on OSHCI (M) was released by the Department of Safety and Health in February 2017. Once the maturity assessment model is developed, we would be able to undertake self-assessment of the current OSHCI (M) competency in order to improve and equip ourselves with the required occupational safety and health competencies. It could enable industry players to know exactly what practices to be implemented to increase their maturity level in OSHCI (M) implementation.

This collaboration could contribute as factors for change in the Malaysian Construction Industry Transformation Programme (2016-2020) under the Quality, Safety and Professionalism thrust: Initiative Q2b: Improve level of occupational safety and health at construction site. The research which has commenced in January 2020 is expected to take about a year to complete.

Human capital development

We recognise that people are our most important asset that differentiates us from our competitors and give us the competitive advantage. The growth of the Company is very much dependent on the employee efficiency and talent. We continuously attract and retain good employees, develop their skills, and motivate them to improve their performance. We also invested in the development of Gadang Career Portal at career.gadang.com.my to provide a platform for potential new joiners to have a better understanding on our business operations when exploring career opportunities with us.

We achieved Silver Award for Employer of Choice (Private Sector) at the prestigious 19th Malaysia International HR Awards 2019 presented by Malaysia Institute of Human Resource Management in November 2019. It is a national event which is strongly supported and endorsed by the Human Resource community, nationally and internationally.

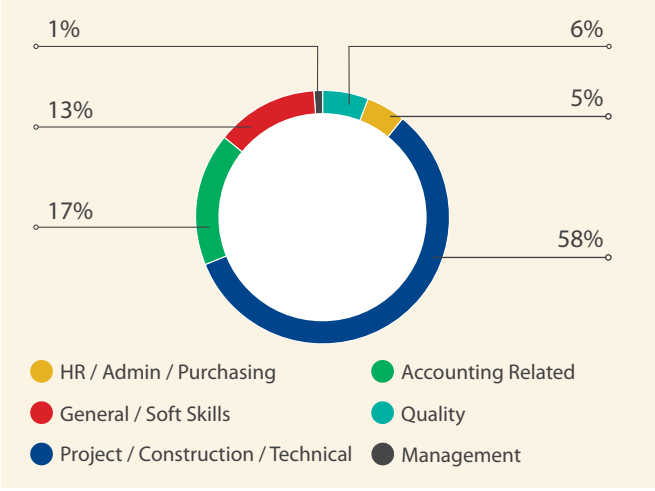


Diagram 11 *- Trainings organised by Group HCD*

To develop our talents, we perform competency gap analysis of our employees. For this financial year, we focus on soft skills training, accounting related and quality training to increase the overall performance of employees. The Company also grants ad hoc trainings upon request if there are any changes / new laws and regulations being implemented or at the request of the client, to ensure 100% fulfilment of statutory compliance and client's requirement.

The reduction in amount invested in training is mainly due to majority of the trainings that had to be put on hold due to the MCO which did not allow for gatherings in a group. As virtual training or e-training is less effective, most of the trainings are deferred until later stage as the safety of employees remain our top priority. However, the training days and number of participants have increased as we had hosted most of the trainings internally to accommodate more participants at a time.

Examples of training programmes organised by the Group Human Capital Department ("HCD") include Leadership and Coaching, Integrated Reporting A Vision for Better Corporate Reporting, Corporate Liability on Corruption (A Basic Awareness and Implementation Framework), ISO 45001 : 2018 Risk and Opportunities and OH & S Objectives and Planning, Confined Space Training for Authorised Entrant & Standby Person and etc.

Training programmes are also conducted at project sites by HSE team to improve employees' construction skills and understanding of HSE matters. The training programmes include Working at Height, Air & Water Quality Control and Noise & Vibration Control, 2019- nCoV Awareness & Health Screening Programme.

	FYE2020	FYE2019	FYE2018
Time Invested (Days)	566	455	538
Amount Invested	RM149,000	RM179,000	RM135,000
Number of Participants	403	378	474

Table 5 *- Total Training Days, Amount Invested & Number of Participants*

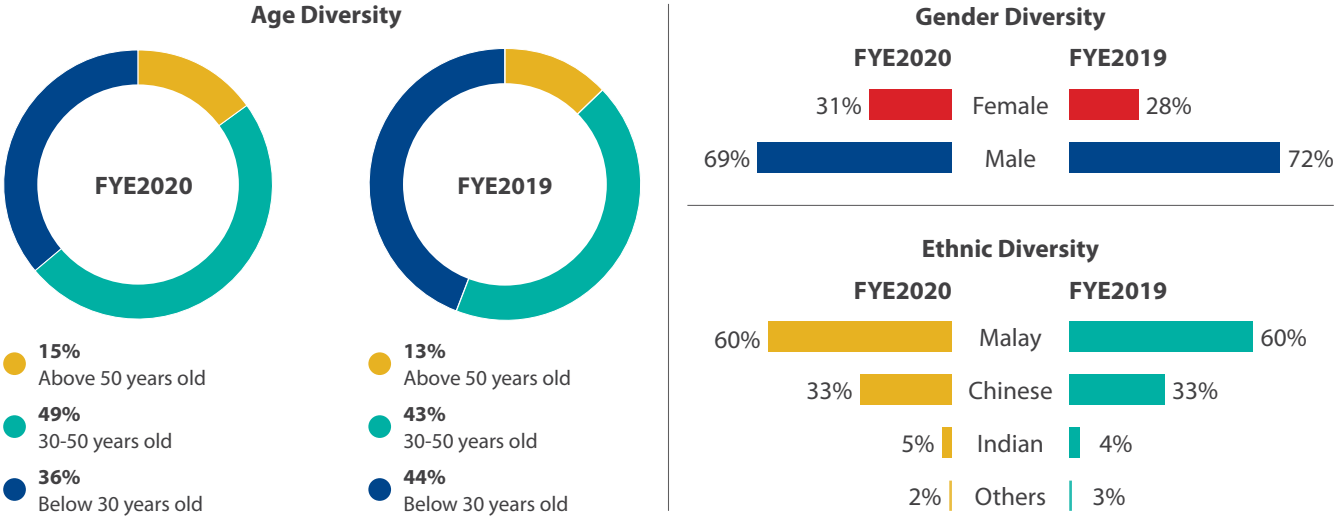
Sustainability Statement

Our revised COEC and ABC Policy are in place to serve as a guide to proper business etiquette for all employees.

During the year, we have also revisited the following policies to ensure fair and equitable treatment for all employees:

- Domestic Inquiry Guideline (DI Panel)
- Grievance and Disciplinary Policy
- Managing Employee Non-Performance
- Subsistence Allowance (Local & International)

We endeavor to provide equal opportunity to ensure that employment decisions are based on merit and performance without regard to religion, political opinion, gender, age, ethnicity, sexual orientation, nationality or disability. Although the construction industry is a male-dominated sector, we welcome women to work in our operations. In FYE2020, our women workforce increased from 28% to 31%.



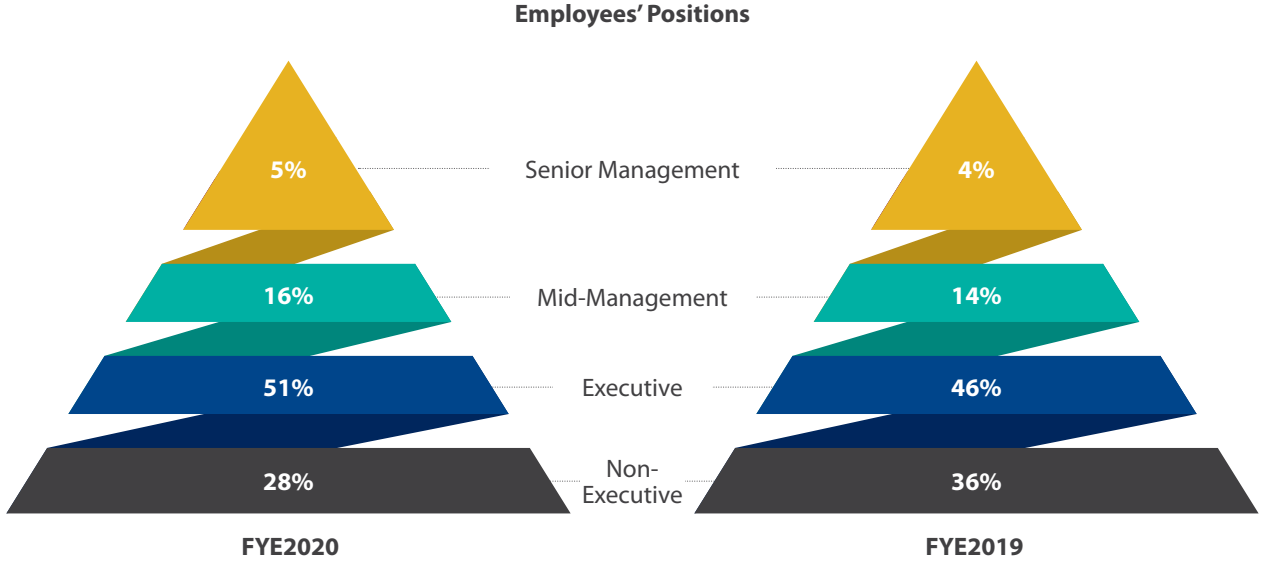


Diagram 12 *- Age, Gender, Ethnicity and Positions*

Employee engagement

We have an established Sports Club that organises recreational activities for its members to foster healthy lifestyle and strong bonding between employees. A glimpse of our 2019 activities are as follows.

Durian Feast at Gadang HQ - July 2019

Laser Battle at Berjaya Times Square - July 2019

Sustainability Statement

4 days 2 nights Hatyai Trip - September 2019

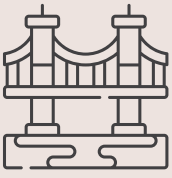
Year End Dinner and Lucky Draw at the Cinnamon Coffee House, One World Hotel, Bandar Utama - November 2019

To safeguard the health and safety of our employees, 2020 recreational activities are postponed to the next financial year due to the global pandemic of Covid-19. The health and safety of our employees remain our utmost priority.

FYE2020 Community Highlights

TRX PACKAGE C6 Participated in Program Keceriaan dan Keindahan Perumahan Polis Desa Tasik Sungai Besi KL in December 2019

TRX PACKAGE C6 Demolished and rebuilt a surau at Jalan Barat, TRX - Surau Al-Nur



Sprucing up the Seri Gemilang Bridge, Putrajaya

Donated RM200,000 PPE to 4 hospitals in response to Covid-19 pandemic

RM1,050,000 scholarships awarded since 2014

Diagram 13 *- FYE2020 Community Highlights*

Sustainability Statement

COMMUNITY

Giving back to communities

Besides enhancing the quality of life of Malaysians by participating in MRT Line 1 - Package V2, MRT Line 2 – Package V206, TRX and Cyberjaya Hospital projects, we ease the cost of living of local communities through our affordable housing development. We have benefited a total of 794 families through our affordable housing of Phase 2A PR1MA TWO Homes (469 families) and Phase 1A PR1MA Homes (325 families). Phase 2A PR1MA TWO Homes has been completed and handed over to owners in January 2020.

We also express concern on the wellbeing of our external stakeholders and participated in Program Keceriaan dan Keindahan Perumahan Polis Desa Tasik Sungai Besi Kuala Lumpur in December 2019. We received a Certificate of Appreciation from Persatuan Penduduk Perumahan Polis Desa Tasik Sg Besi Kuala Lumpur for fixing the potholes appearing on the surrounding roadway of police station and police housing at Desa Tasik Sungai Besi Kuala Lumpur.

PERSATUAN PENDUDUK PERUMAHAN
POLIS DIRAJA MALAYSIA

Sijil Penghargaan

Dengan sukacita merakamkan setinggi -tinggi penghargaan dan terimakasih kepada

HEADQUARTER

GADANG CRJG

Kerana telah memberi kerjasama dengan penuh dedikasi dan tanggungjawab bagi menjayakan

PROGRAM KECERIAAN DAN KEINDAHAN PERUMAHAN POLIS DESA TASIK SG BESI KUALA LUMPUR

pada
04 HB. DEC 2019

Pengerusi
Persatuan Penduduk Perumahan Polis
Desa Tasik Sg Besi
Kuala Lumpur

15 Hb. Dec 2019

As part of our initiatives to take care of the communities around us, we demolished and rebuilt a surau at Jalan Barat, Tun Razak Exchange to provide a better place of worship for the Muslim community at TRX. This initiative was a joint effort of GESB, WCT Holdings Berhad and TRX City Sdn Bhd. GESB undertook the role as the main contractor of the project. The Surau Al-Nur was completed in January 2020. It can accommodate up to 300 people at a time.

Seri Gemilang Bridge is a ceremonial bridge located in Putrajaya which connects Heritage Square with Putrajaya Convention Centre and was completed in 2003. To promote tourism in Putrajaya, we undertook the task of sprucing up the Seri Gemilang Bridge as part of our corporate social responsibility initiative. We worked closely with Perbadanan Putrajaya to ensure smooth completion of the task. Perbadanan Putrajaya expressed their gratitude and satisfaction with GESB's hard work and commitment to give the Seri Gemilang Bridge a fresh look, and awarded a Certificate of Appreciation to GESB in recognition of its contribution.

PERBADANAN PUTRAJAYA

Sijil Penghargaan

Dengan ini Perbadanan Putrajaya merakamkan setinggi-tinggi penghargaan dan terima kasih kepada

GADANG ENGINEERING (M) SDN. BHD

di atas kerjasama dan sumbangan dalam perkhidmatan

MEMBAIKPULIH DAN MENGECAT SEMULA JAMBATAN SERI GEMILANG, PUTRAJAYA

pada tahun

2020

DATUK DR. AMINUDDIN BIN HASSIM
Presiden
Perbadanan Putrajaya

In response to a critical shortage of Personal Protective Equipment ("PPE") as the medical frontliners were putting their lives at risk to combat the Covid-19 pandemic, we sourced and contributed RM200,000 worth of PPE such as medical non-sterile protective gowns, shoe covers and medical goggles. The PPE was distributed among four hospitals to support frontliners in carrying out the life-saving missions. We truly appreciate the tireless efforts and selfless contribution of frontliners in combating the Covid-19 pandemic.

Sustainability Statement

Besides that, we also made contributions in kind and in cash to old folks homes, National Autism Society of Malaysia, Da Ai Foundation, Yayasan Nanyang Press, Oriental Daily Sdn Bhd, Yayasan Sin Chew, Bursa Bull Charge 2019 Charity Run and for festive celebrations like what we did in Indonesia where we engaged with the local communities by inviting them to celebrate Hari Raya Aidilfitri and Hari Raya Idul Adha (Hari Raya Haji) together with our staff. This is practised every year.

Directors' Responsibility Statement

In respect of Audited Financial Statements for the financial year ended 31 May 2020

The Directors are required by the Companies Act, 2016 ("the Act") and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad to prepare financial statements for each financial year in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Act in Malaysia.

The Directors are responsible to ensure that the audited financial statements give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year, and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors have:

- used appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- prepared the financial statements on a "going concern" basis as the Directors have a reasonable expectation, having made enquiries that the Group and Company have adequate resources to continue operations for the foreseeable future.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of investment holding and the provision of management services to the subsidiaries. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM	The Company RM
Profit after taxation for the financial year	35,654,367	9,663,964
Attributable to:-		
Owners of the Company	35,463,337	9,663,964
Non-controlling interests	191,030	-
	35,654,367	9,663,964

DIVIDENDS

The Company paid a first and final dividend of 1.2 sen per ordinary share amounting to RM8,736,732 for the financial year ended 31 May 2019 on 6 December 2019.

At the forthcoming Annual General Meeting, a first and final dividend of 1 sen per ordinary share in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 May 2021.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) the Company increased its issued and paid-up share capital from RM338,380,295 to RM 389,520,609 by way of:-

  (i) an issuance of 66,172,000 new ordinary shares for a cash consideration of RM50,952,440 for the purpose of working capital; and

  (ii) an issuance of 168,000 new ordinary shares from the exercise of options under the Company's Employees' Share Option Scheme at the exercise price of RM0.86 per option which amounted to RM144,480.

  The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

(b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company except for the share options granted pursuant to the Company's Employees' Share Option Scheme below.

Directors' Report

EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme ("ESOS") of the Company is governed by the ESOS By-Laws and was approved by shareholders at the Extraordinary General Meeting held on 3 November 2016. The ESOS is to be in force for a period of 5 years effective from 6 December 2016 to 5 December 2021.

The details of the ESOS are disclosed in Note 25(c) to the financial statements.

WARRANTS 2016/2021

On 30 November 2016, the Company issued 129,311,689 free detachable warrants ("Warrants") pursuant to the bonus issue of warrant on the basis of one (1) warrant for every four (4) shares held by entitled shareholders after the completion of share split.

The Warrants are constituted by the Deed Poll dated 11 November 2016.

The salient features of the Warrants are as follows:-

(i) the exercise price is RM1.06 per ordinary share and each Warrant entitles the registered holder ("Warrantholders") to subscribe for one (1) new ordinary share of the Company during the 5 year period expiring on 29 November 2021 ("Exercise Period");

(ii) at the expiry of the Exercise Period, any Warrants, which have not been exercised shall automatically lapse and cease to be valid for any purposes;

(iii) Warrantholders must exercise the Warrants in accordance with the procedures set out in the Deed Poll and shares allotted and issued upon such exercise shall rank pari passu in all respects with the then existing ordinary shares of the Company, and shall be entitled to any dividends, rights, allotments and/or other distributions after the issue and allotment thereof; and

(iv) the Warrantholders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such Warrantholders exercise their Warrants for new ordinary shares of the Company.

There were no conversion of Warrants for the financial year. The number of outstanding Warrants as at 31 May 2020 was 129,254,039.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Directors' Report

DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican
Tan Sri Dato' Kok Onn
Boey Tak Kong
Kok Pei Ling
Huang Shi Chin

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Construction Division
Chan Chee Wai
Dato' Chan Ah Kam @ Chan Ah Thoong
Khew Check Kiet
Hew Thean Poh
Lee Yoke Koon
Liew Swee Kong
Ng Kok Leong
Saw Chee Hoay
Tan Cheng Chin
Abdul Rizal Bin Abdul Rahim (Appointed on 5.11.2019)

Property Division
Dato' Ling Hock Hing (Resigned on 1.9.2020)
Kok Pei Shing
Raja Zainal Abidin Bin Raja Hussin
Yu Kang Huai

Utility Division
Angga Panji Kesuma
Chan Huan Beng
Chua Soon Ann
Drs. Barat Iriansyah
Foo Mieng Yong
Hero Dwi Prasetyo
Ir. Joko Tripujono Sunaryo
Masni Kamal
Neo Lay Hiang Pamela
Reggy Hadiwijaya
Hendro Adinata
Pui Yen Yew (Appointed on 12.3.2020)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares, warrants and options over shares of the Company and its related corporations during the financial year are as follows:-

	Number of Ordinary Shares			
	At 1.6.2019	Acquired	Disposed	At 31.5.2020
Shareholdings registered in the name of Directors:				
Direct interests				
Tan Sri Dato' Kok Onn	13,177,300	-	-	13,177,300
Boey Tak Kong	1,800,000	200,000	-	2,000,000
Kok Pei Ling	1,304,400	-	-	1,304,400
Huang Shi Chin	140,200	16,800	-	157,000
Deemed interest*				
Tan Sri Dato' Kok Onn	168,993,353	11,617,200	-	180,610,553

DIRECTORS' INTERESTS (CONT'D)

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares, warrants and options over shares of the Company and its related corporations during the financial year are as follows:- (Cont'd)

	Number of Warrants 2016/2021			
	At 1.6.2019	Acquired	Disposed	At 31.5.2020
Direct interest				
Boey Tak Kong	60,000	-	(60,000)	-

		Number of Options under ESOS			
	Exercise Price	At 1.6.2019	Granted	Exercised	At 31.5.2020
Direct interests					
Tan Sri Dato' Kok Onn	RM0.86	2,174,100	-	-	2,174,100
Boey Tak Kong	RM0.86	745,200	-	-	745,200
Kok Pei Ling	RM0.86	1,956,600	-	-	1,956,600

* Deemed interested by virtue of his interests in Sumber Raswira Sdn Bhd and Meloria Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

Other than as disclosed above, according to the register of Directors' Shareholdings, the other directors holding office at the end of the financial year did not hold any interest in shares, warrants and options over shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 46 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted to certain directors pursuant to the ESOS of the Company.

Directors' Report

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial year are disclosed in Note 39 to the financial statements.

INDEMNITY AND INSURANCE COST

The Company maintains a Directors' and Officers' Liability Insurance Policy on a group basis. During the financial year, the amount of indemnity coverage and insurance premium paid for the directors of the Group were RM15,000,000 and RM48,010 respectively. No indemnity was given to or insurance effected for auditors of the Company.

SUBSIDIARIES

The details of the Group's subsidiaries are disclosed in Note 5 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 50 to the financial statements.

AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 37 to the financial statements.

Signed in accordance with a resolution of the directors dated 2 September 2020.

TAN SRI DATO' SERI DR. MOHAMED ISMAIL BIN MERICAN

TAN SRI DATO' KOK ONN

Statement By Directors

Pursuant To Section 251(2) of The Companies Act 2016

We, Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican and Tan Sri Dato' Kok Onn, being two of the directors of Gadang Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 108 to 227 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 May 2020 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 2 September 2020.

TAN SRI DATO' SERI DR. MOHAMED ISMAIL BIN MERICAN

TAN SRI DATO' KOK ONN

Statutory Declaration

Pursuant To Section 251(1)(b) of The Companies Act 2016

I, Kok Pei Ling, being the director primarily responsible for the financial management of Gadang Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 108 to 227 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Kok Pei Ling,
at Kuala Lumpur in the Federal Territory
on this 2 September 2020

KOK PEI LING

Before me

Datin Hajah Raihela Wanchik (W-275)
Commissioner for Oaths

Independent Auditors' Report

To The Members of Gadang Holdings Berhad (Incorporated In Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Gadang Holdings Berhad, which comprise the statements of financial position as at 31 May 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 108 to 227.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for *Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Independent Auditors' Report

To The Members of Gadang Holdings Berhad (Incorporated In Malaysia)

Goodwill Impairment Refer to Note 4.5 and Note 14 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
Goodwill on consolidation as at 31 May 2020 amounted to RM23,002,326. Management is required to conduct annual impairment assessment on the goodwill. For this purpose, Management has estimated the recoverable amounts of the cash-generating unit in which the goodwill is attached to, using the value in use approach. This is derived from the present value of the future cash flows from the cash generating unit. This assessment is significant to our audit as it is highly subjective, involves significant judgment and is based on assumptions that may be affected by future market and economic conditions. Further details are shown in Note 14 to the financial statements.	Our procedures included, amongst others:- • Reviewed management's estimates of the recoverable amount and tested the cash flows forecast for their accuracy; • Reviewed the key business drivers underpinning the cash flows forecast prepared to support the recoverable amount; • Evaluated the appropriateness and reasonableness of the key assumptions by considering prior budget accuracy, comparison to recent performance and our understanding of the business, trend analysis, and historical results; • Reviewed sensitivity analysis performed by management over the key assumptions to understand the impact of changes over the valuation model; and • Reviewed the adequacy of the Group's disclosures.

Revenue Recognition for Construction Contracts Refer to Note 4.22(a) and Note 34 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
Revenue recognition for construction contracts, due to the contracting nature of the business, involves significant judgments. This includes the determination of the total budgeted contract costs and the calculation of percentage of completion which affects the quantum of revenue to be recognised. In estimating the revenue to be recognised, the management considers past experience and certification by customers and independent third parties, where applicable. We determined this to be a key audit matter due to the complexity and judgmental nature of the budgeting of contract costs and the determination of revenue recognised.	Our procedures included, amongst others:- • Read key contracts and discussed with management to obtain full understanding of the terms and risks to assess our consideration of whether revenue was appropriately recognised. • Assessed the management's assumptions in determining the percentage of completion of projects, estimations of revenue and costs, provisions for foreseeable losses, liquidated and ascertained damages as well as recoverability of billed receivables. • Assessed the reasonableness of percentage of completion by comparing to certification by external parties. • Reviewed estimated profit and costs to complete and adjustments for job costing and potential contract losses. • Tested costs incurred to date to supporting documentation such as contractors' claim certificates.

Independent Auditors' Report

To The Members of Gadang Holdings Berhad (Incorporated In Malaysia)

Revenue Recognition for Property Development Activities Refer to Note 4.22(b) and Note 34 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
The Group recognises property development revenue over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. This is determined by reference to the property development costs incurred up to the end of the reporting period as a percentage of total estimated costs for complete satisfaction of the contract. Accounting for property development activities is inherently complex and there is judgment involved in the following areas:- • determination of stage of completion • estimated total property development costs and costs to be incurred to complete a project We determined this to be a key audit matter given the complexity and judgmental nature of these activities.	Our procedures included, amongst others:- • Reviewed estimated profit and costs to complete and adjustments for job costing and potential contract losses. • Tested costs incurred to date to supporting documentation such as contractors' claim certificates. • Assessed the reasonableness of the estimated total property development costs to supporting documentation such as contracts, quotations and variation orders with contractors, for newly launched projects. • Assessed the reasonableness of the percentage of completion by comparing to certification by external parties. • For ongoing projects, checked for any variation orders and checked that changes to contracts and quotations with the contractors, if any, are properly supported. • Tested sales of properties to signed sales and purchase agreements and billings raised to property buyers. • Recomputed the stage of completion and checked the journal entries impacting revenue and cost of sales are recognised appropriately with reference to the computation of the stage of completion of the projects.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

Independent Auditors' Report

To The Members of Gadang Holdings Berhad (Incorporated In Malaysia)

Auditors' Responsibility for the Audit of the Financial Statements (Cont'd)

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:- (Cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Chua Wai Hong
02974/09/2021 J
Chartered Accountant

Kuala Lumpur

2 September 2020

Statements of Financial Position

As At 31 May 2020

	Note	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
ASSETS					
Non-current assets					
Investments in subsidiaries	5	-	-	147,997,437	139,342,092
Investment in an associate	6	-	-	-	-
Investment in joint ventures	7	1,273,190	2,416,235	-	-
Concession assets	8	142,510,622	126,329,944	-	-
Property, plant and equipment	9	29,283,062	61,649,319	416,292	362,141
Right-of-use assets	10	21,038,932	-	-	-
Investment properties	11	76,109,386	78,276,538	-	-
Inventories	12	3,912,991	3,905,097	-	-
Non-trade receivables	17	2,890,822	2,661,768	68,919,805	81,044,648
Other investments	13	6,800,000	13,300,000	6,800,000	13,200,000
Goodwill on consolidation	14	23,002,326	17,412,139	-	-
Deferred tax assets	15	26,079,252	18,339,877	-	-
		332,900,583	324,290,917	224,133,534	233,948,881
Current assets					
Inventories	12	833,859,716	858,938,606	-	-
Contract costs	16	1,437,986	1,050,325	-	-
Trade and non-trade receivables	17	142,312,783	163,189,916	138,841,558	120,205,985
Contract assets	20	157,334,650	215,298,132	-	-
Current tax assets		8,474,286	6,000,098	-	-
Short term funds	21	94,876,316	33,130,408	25,752,648	1,854,695
Deposits with licensed banks	22	101,609,741	98,414,401	11,978,395	11,671,692
Cash and bank balances	23	106,340,321	85,330,295	18,546,990	4,559,788
		1,446,245,799	1,461,352,181	195,119,591	138,292,160
TOTAL ASSETS		1,779,146,382	1,785,643,098	419,253,125	372,241,041

The annexed notes form an integral part of these financial statements.

	Note	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
EQUITY AND LIABILITIES					
Equity					
Share capital	24	389,520,609	338,380,295	389,520,609	338,380,295
Reserves	25	424,540,571	395,455,587	28,936,028	26,599,408
Equity attributable to owners of the Company		814,061,180	733,835,882	418,456,637	364,979,703
Non-controlling interests	26	4,742,080	4,508,810	-	-
Total equity		818,803,260	738,344,692	418,456,637	364,979,703
Non-current liabilities					
Bank borrowings	27	163,769,222	191,821,297	-	-
Lease liabilities	30	5,710,248	-	-	-
Deferred tax liabilities	15	3,078,238	4,173,600	49,442	-
Defined benefit obligations	31	2,832,914	2,573,653	-	-
Non-trade payables	32	175,223,045	199,800,877	-	-
		350,613,667	398,369,427	49,442	-
Current liabilities					
Trade and non-trade payables	32	399,049,106	402,278,007	256,387	373,973
Contract liabilities	20	87,922,285	72,783,964	-	-
Bank borrowings	27	114,625,279	168,443,598	-	5,500,000
Lease liabilities	30	4,947,372	-	-	-
Current tax liabilities		3,185,413	5,423,410	490,659	1,387,365
		609,729,455	648,928,979	747,046	7,261,338
Total liabilities		960,343,122	1,047,298,406	796,488	7,261,338
TOTAL EQUITY AND LIABILITIES		1,779,146,382	1,785,643,098	419,253,125	372,241,041
NET ASSETS PER ORDINARY SHARE (RM)	33	1.12	1.11		

The annexed notes form an integral part of these financial statements.

Statements of Profit or Loss

For The Financial Year Ended 31 May 2020

	Note	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
Revenue	34	673,056,446	687,692,910	20,563,000	24,490,000
Cost of sales	35	(559,195,657)	(572,749,553)	-	-
Gross profit		113,860,789	114,943,357	20,563,000	24,490,000
Other income	36	12,706,994	15,827,607	7,900,946	6,879,209
Administrative expenses		(30,029,903)	(26,128,744)	(8,237,652)	(7,900,872)
Depreciation and amortisation		(6,317,358)	(5,907,264)	(70,585)	(60,257)
Operating expenses		(18,539,572)	(17,581,279)	(2,556,949)	(2,495,482)
Other expenses		(6,710,077)	(5,339,773)	(6,400,440)	(5,595,004)
Net impairment losses on financial assets		(294,115)	(153,333)	-	-
Profit from operations		64,676,758	75,660,571	11,198,320	15,317,594
Finance costs	40	(4,201,313)	(4,873,162)	(22,015)	(63,000)
Share of results in joint ventures		(1,143,045)	935,184	-	-
Profit before taxation	37	59,332,400	71,722,593	11,176,305	15,254,594
Income tax expense	41	(23,678,033)	(27,581,655)	(1,512,341)	(2,217,204)
Profit after taxation		35,654,367	44,140,938	9,663,964	13,037,390
Profit after taxation attributable to:-					
Owners of the Company		35,463,337	44,060,771	9,663,964	13,037,390
Non-controlling interests		191,030	80,167	-	-
		35,654,367	44,140,938	9,663,964	13,037,390
Basic earnings per share (sen)	42	4.89	6.66		
Diluted earnings per share (sen)	42	4.89	6.66		

The annexed notes form an integral part of these financial statements.

Statements of Other Comprehensive Income

For The Financial Year Ended 31 May 2020

	Note	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
Profit after taxation		35,654,367	44,140,938	9,663,964	13,037,390
Other comprehensive income:-					
Items that will not be reclassified subsequently to profit or loss					
Actuarial gain on defined benefit obligations	31	203,724	318,608	-	-
Less: Deferred tax effect		(50,931)	(62,593)	-	-
		152,793	256,015	-	-
Item that will be reclassified subsequently to profit or loss					
Foreign currency translation		838,438	1,855,455	-	-
Total comprehensive income for the financial year		36,645,598	46,252,408	9,663,964	13,037,390
Total comprehensive income attributable to:-					
Owners of the Company		36,412,328	46,067,649	9,663,964	13,037,390
Non-controlling interests		233,270	184,759	-	-
		36,645,598	46,252,408	9,663,964	13,037,390

The annexed notes form an integral part of these financial statements.

Statements of Changes in Equity

For The Financial Year Ended 31 May 2020

The Group	Note	Share Capital RM	Share Option Reserves RM	Capital Reserves RM	Foreign Exchange Translation Reserves RM	Retained Profits RM	Total RM	Non-controlling Interests RM	Total Equity RM
At 1 June 2018		**338,380,295**	**3,720,867**	**1,346,681**	**(4,282,396)**	**367,649,174**	**706,814,621**	**4,324,051**	**711,138,672**
Profit after taxation for the financial year		-	-	-	-	44,060,771	**44,060,771**	80,167	**44,140,938**
Other comprehensive income for the financial year:									
- Actuarial gain on defined benefit obligations		-	-	-	-	256,015	**256,015**	-	**256,015**
- Foreign currency translation differences		-	-	-	1,750,863	-	**1,750,863**	104,592	**1,855,455**
Total comprehensive income for the financial year		-	-	-	1,750,863	44,316,786	**46,067,649**	184,759	**46,252,408**
Balance carried forward		338,380,295	3,720,867	1,346,681	(2,531,533)	411,965,960	**752,882,270**	4,508,810	**757,391,080**

The annexed notes form an integral part of these financial statements.

Statements of Changes in Equity

For The Financial Year Ended 31 May 2020

The Group	Note	Share Capital RM	Share Option Reserves RM	Capital Reserves RM	Foreign Exchange Translation Reserves RM	Retained Profits RM	Total RM	Non-controlling Interests RM	Total Equity RM
Balance brought forward		338,380,295	3,720,867	1,346,681	(2,531,533)	411,965,960	**752,882,270**	4,508,810	**757,391,080**
Contributions by and distribution to owners of the Company:									
- Dividend	44	-	-	-	-	(19,851,630)	**(19,851,630)**	-	**(19,851,630)**
- Recognition of share option expenses		-	805,242	-	-	-	**805,242**	-	**805,242**
- ESOS lapsed		-	(71,379)	-	-	71,379	**-**	-	**-**
Total transactions with owners		-	733,863	-	-	(19,780,251)	**(19,046,388)**	-	**(19,046,388)**
31 May 2019		**338,380,295**	**4,454,730**	**1,346,681**	**(2,531,533)**	**392,185,709**	**733,835,882**	**4,508,810**	**738,344,692**

The annexed notes form an integral part of these financial statements.

Statements of Changes in Equity

For The Financial Year Ended 31 May 2020

The Group	Note	Share Capital RM	Share Option Reserves RM	Capital Reserves RM	Foreign Exchange Translation Reserves RM	Retained Profits RM	Total RM	Non-controlling Interests RM	Total Equity RM
At 1 June 2019		**338,380,295**	**4,454,730**	**1,346,681**	**(2,531,533)**	**392,185,709**	**733,835,882**	**4,508,810**	**738,344,692**
Profit after taxation for the financial year		-	-	-	-	35,463,337	**35,463,337**	191,030	**35,654,367**
Other comprehensive expenses for the financial year:									
- Actuarial loss on defined benefit obligations		-	-	-	-	152,793	**152,793**	-	**152,793**
- Foreign currency translation differences		-	-	-	796,198	-	**796,198**	42,240	**838,438**
Total comprehensive income for the financial year		-	-	-	796,198	35,616,130	**36,412,328**	233,270	**36,645,598**
Balance carried forward		338,380,295	4,454,730	1,346,681	(1,735,335)	427,801,839	**770,248,210**	4,742,080	**774,990,290**

The annexed notes form an integral part of these financial statements.

Statements of Changes in Equity

For The Financial Year Ended 31 May 2020

The Group	Note	Share Capital RM	Share Option Reserves RM	Capital Reserves RM	Foreign Exchange Translation Reserves RM	Retained Profits RM	Total RM	Non-controlling Interests RM	Total Equity RM
Balance brought forward		338,380,295	4,454,730	1,346,681	(1,735,335)	427,801,839	**770,248,210**	4,742,080	**774,990,290**
Contributions by and distribution to owners of the Company:									
- Dividend	44	-	-	-	-	(8,736,732)	**(8,736,732)**	-	**(8,736,732)**
- Issuance of shares upon exercise of ESOS		144,480	-	-	-	-	**144,480**	-	**144,480**
- Issuance of shares		50,952,440	-	-	-	-	**50,952,440**	-	**50,952,440**
- Recognition of share option expenses		-	1,452,782	-	-	-	**1,452,782**	-	**1,452,782**
- ESOS lapsed		-	(183,600)	-	-	183,600	**-**	-	**-**
- Transfer to share capital for ESOS exercised		43,394	(43,394)	-	-	-	**-**	-	**-**
Total transactions with owners		51,140,314	1,225,788	-	-	(8,553,132)	**43,812,970**	-	**43,812,970**
31 May 2020		**389,520,609**	**5,680,518**	**1,346,681**	**(1,735,335)**	**419,248,707**	**814,061,180**	**4,742,080**	**818,803,260**

The annexed notes form an integral part of these financial statements.

Statements of Changes in Equity

For The Financial Year Ended 31 May 2020

The Company	Note	Share Capital RM	Share Option Reserves RM	Retained Profits RM	Total RM
At 1 June 2018		**338,380,295**	**3,720,867**	**28,887,539**	**370,988,701**
Profit after taxation for the financial year		-	-	13,037,390	13,037,390
Contributions by and distribution to owners of the Company:					
- Recognition of share option expenses		-	805,242	-	805,242
- ESOS lapsed		-	(71,379)	71,379	-
- Dividend	44	-	-	(19,851,630)	(19,851,630)
Total transactions with owners		-	733,863	(19,780,251)	(19,046,388)
At 31 May 2019/1 June 2019		**338,380,295**	**4,454,730**	**22,144,678**	**364,979,703**
Profit after taxation for the financial year		-	-	9,663,964	9,663,964
Contributions by and distribution to owners of the Company:					
- Issuance of shares upon exercise of ESOS		144,480	-	-	144,480
- Issuance of shares		50,952,440	-	-	50,952,440
- Recognition of share option expenses		-	1,452,782	-	1,452,782
- ESOS lapsed		-	(183,600)	183,600	-
- Transfer to share capital for ESOS exercised		43,394	(43,394)	-	-
- Dividend	44	-	-	(8,736,732)	(8,736,732)
Total transactions with owners		51,140,314	1,225,788	(8,553,132)	43,812,970
31 May 2020		**389,520,609**	**5,680,518**	**23,255,510**	**418,456,637**

The annexed notes form an integral part of these financial statements.

Statements of Cash Flows

For The Financial Year Ended 31 May 2020

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash flows from/(for) operating activities				
Profit before tax	59,332,400	71,722,593	11,176,305	15,254,594
Adjustments for:				
Accretion of interest on:				
- trade and non-trade receivables	(75,844)	(57,074)	-	-
- amounts owing by subsidiaries	-	-	-	(538,404)
- amount owing to a director	47,486	155,274	-	-
Bad debts recovered	(1,235)	-	-	-
Bad debts written off	26,000	47,974	-	-
Deposit written off	500	-	-	-
Depreciation of:				
- concession assets	2,628,096	2,514,282	-	-
- investment properties	904,660	876,490	-	-
- property, plant and equipment	9,313,845	19,763,982	70,585	60,257
- right-of-use assets	4,734,938	-	-	-
Dividend received from subsidiaries	-	-	(11,800,000)	(16,000,000)
Dividend received from short term funds	(2,052,443)	(1,884,896)	(1,068,410)	(375,185)
Fair value loss on quoted investments	6,400,000	4,800,000	6,400,000	4,800,000
Impairment loss on:				
- goodwill	-	5,889	-	-
- investment properties	50,492	-	-	-
- trade and non-trade receivables	294,115	153,333	-	-
Increase in liability for defined benefit obligations	433,584	384,802	-	-
Interest expense on:				
- bank borrowings	6,733,306	4,873,162	22,015	63,000
- lease liabilities	900,901	-	-	-
Interest income	(4,393,472)	(4,690,086)	(6,367,956)	(5,887,282)
Inventories written down	549,954	-	-	-

The annexed notes form an integral part of these financial statements.

Statements of Cash Flows

For The Financial Year Ended 31 May 2020

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash flows from/(for) operating activities (Cont'd)				
Adjustments for: (Cont'd)				
Net gain on disposal of:				
- investment properties	(874,140)	-	-	-
- property, plant and equipment	(2,887,920)	(2,001,100)	-	-
- right-of-use assets	(156,660)	-	-	-
Net unrealised gain on foreign exchange	(519,324)	(720,951)	(404,719)	582,506
Share of results in joint ventures	1,143,045	(935,184)	-	-
Share option expenses	1,452,782	805,242	1,452,782	805,242
Share option expenses charged to subsidiaries	-	-	(1,155,346)	(626,477)
Property, plant and equipment written off	54,133	169,311	440	11,389
Operating profit/(loss) before working capital changes	84,039,199	95,983,043	(1,674,304)	(1,850,360)
Changes in working capital:-				
Net decrease/(Increase) in contract assets/(liabilities)	73,101,803	(142,061,530)	-	-
(Increase)/Decrease in contract costs	(387,661)	159,766	-	-
Decrease in inter-company balances	-	-	1,759,908	16,776,680
Decrease in inventories	24,521,042	45,140,317	-	-
Decrease in payables	(28,416,691)	(21,367,839)	(117,586)	(241,390)
Decrease/(Increase) in receivables	20,530,309	(34,352,516)	(257,574)	(24,126)
Cash generated from/(for) operations	173,388,001	(56,498,759)	(289,556)	14,660,804
Net income tax paid	(37,542,955)	(29,712,264)	(2,359,605)	(1,462,735)
Net Operating Cash Flows	135,845,046	(86,211,023)	(2,649,161)	13,198,069

The annexed notes form an integral part of these financial statements.

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash flows (for)/from investing activities				
Acquisition of:				
- concession assets	(17,482,564)	(8,814,713)	-	-
- investment properties	(119,100)	(303,716)	-	-
- property, plant and equipment (Note 45(a))	(2,955,382)	(11,949,542)	(125,176)	(41,728)
- quoted shares	-	(18,000,000)	-	(18,000,000)
- right-of-use assets (Note 45(a))	(54,306)	-	-	-
Dividends received from subsidiaries	-	-	11,800,000	16,000,000
Dividends received from short term funds	2,052,443	1,884,896	1,068,410	375,185
Interest received	4,393,472	4,690,086	793,558	422,340
Investment in a new subsidiary (Note 43)	(4,885,517)	(2)	-	-
Additional investment in existing subsidiaries	-	-	(7,499,999)	(20,000,000)
Proceeds from disposal of:				
- investment properties	2,205,240	-	-	-
- other investment	100,000	-	-	-
- property, plant and equipment	3,063,599	7,825,601	-	-
- right-of-use assets	757,892	-	-	-
(Advance to)/Repayment from subsidiaries	-	-	(2,023,058)	200,000
Net Investing Cash Flows	(12,924,223)	(24,667,390)	4,013,735	(21,044,203)

The annexed notes form an integral part of these financial statements.

Statements of Cash Flows

For The Financial Year Ended 31 May 2020

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash flows (for)/from financing activities				
Dividends paid	(8,736,732)	(19,851,630)	(8,736,732)	(19,851,630)
Drawdown of bank borrowings	108,060,000	116,174,819	-	15,000,000
Fixed deposits pledged as security values	(13,171,288)	(7,840,398)	(306,703)	(325,924)
Interest expense on:				
- bank borrowings	(6,733,306)	(4,873,162)	(22,015)	(63,000)
- lease liabilities	(900,901)	-	-	-
Proceeds from issuance of:				
- share capital	50,952,440	-	50,952,440	-
- ESOS exercised	144,480	-	144,480	-
Repayment of:				
- bank borrowings	(155,894,098)	(43,892,320)	(5,500,000)	(9,500,000)
- hire purchase payables	-	(11,313,131)	-	-
- lease liabilities	(9,629,241)	-	-	-
Net Financing Cash Flows	(35,908,646)	28,404,178	36,531,470	(14,740,554)
Net change in cash and cash equivalents	87,012,177	(82,474,235)	37,896,044	(22,586,688)
Effect of exchange rate changes on cash and cash equivalents	520,228	(994,699)	(10,889)	38,510
Cash and cash equivalents at the beginning of the financial year	125,594,810	209,063,744	6,414,483	28,962,661
Cash and cash equivalents at the end of the financial year (Note 45(c))	213,127,215	125,594,810	44,299,638	6,414,483

The annexed notes form an integral part of these financial statements.

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office, which is also the principal place of business, is at Wisma Gadang, No. 52, Jalan Tago 2, Off Jalan Persiaran Utama, Sri Damansara, 52200 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 2 September 2020.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of investment holding and the provision of management services to the subsidiaries. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)
MFRS 16 Leases
IC Interpretation 23 Uncertainty Over Income Tax Treatments
Amendments to MFRS 9: Prepayment Features with Negative Compensation
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRS Standards 2015 – 2017 Cycles

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:-

<u>MFRS 16 Leases</u>

MFRS 16: Leases replace MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Lease-Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It sets out the principles for the recognition, measurement, presentation and disclosure of leases.

Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under MFRS 117.

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. MFRS 16 requires a lessee to recognise their lease assets and the related lease obligations in the statement of financial position (with limited exceptions) as right-of-use assets and lease liabilities respectively, for all leases with a term of more than 12 months whereby the right-of-use assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method.

3. BASIS OF PREPARATION (CONT'D)

3.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):- (Cont'd)

Lease liabilities are measured with reference to present value of future lease payments calculated using the incremental borrowing rate and exchange rate at date of initial application. Lease payments would be split into principal and interest payments, using the effective interest method.

Correspondingly, the right-of-use ("ROU") assets is based on the present value of the liability at the commencement date of the lease, adding any directly attributable costs. The ROU asset will be depreciated on a straight-line basis over the shorter of the lease term and the useful life of the leased asset.

The Group applied the modified retrospective approach and did not restate comparative amounts for the period prior to first adoption. The impacts on the financial statements of the Group and of the Company upon their initial application of MFRS 16 are disclosed in Note 51 to the financial statements.

3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 4: Extension of the Temporary Exemption from Applying MFRS 9	At issue date of 17 August 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: COVID-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Critical Accounting Estimates and Judgements

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amounts of current tax assets and current tax liabilities as at the reporting date are RM8,474,286 (2019 - RM6,000,098) and RM3,185,413 (2019 - RM5,423,410) respectively.

(b) Impairment of Investment Properties

The Group determines whether its investment properties is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of investment properties as at the reporting date is disclosed in Note 11 to the financial statements.

(c) Revenue and Cost Recognition of Property Development Activities

The Group recognises property development revenue as and when the control of the asset is transferred to a customer and it is probable that the Group will collect the consideration to which it will be entitled. The control of the asset may transfer over time or at a point in time depending on the terms of the contract with the customer and the application laws governing the contract.

When the control of the asset is transferred over time, the Group recognises property development revenue and costs by reference to the progress towards complete satisfaction of the performance obligation at the end of the reporting period. This is measured based on the Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Significant judgement is required in determining the completeness and accuracy of the budgets and the extent of the costs incurred. Substantial changes in property development cost estimates in the future can have a significant effect on the Group's results. In making the judgement, the Group evaluates and relies on past experience and works of specialists. The carrying amount of property development costs as at the reporting date is disclosed in Note 12(b) to the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Critical Accounting Estimates and Judgements (Cont'd)

Key Sources of Estimation Uncertainty (Cont'd)

(d) Revenue Recognition for Construction Contracts

The Group recognises construction revenue by reference to the construction progress using the input method, determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amounts of contract assets and contract liabilities as at the reporting date are disclosed in Note 20 to the financial statements.

(e) Impairment of Goodwill

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the reporting date is disclosed in Note 14 to the financial statements.

(f) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets. The carrying amounts of trade receivables and contract assets as at the reporting date are disclosed in Notes 17 and 20 to the financial statements.

(g) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of other receivables and amounts owing by subsidiaries as at the reporting date are disclosed in Notes 17 and 18 to the financial statements.

(h) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 12 to the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Critical Accounting Estimates and Judgements (Cont'd)

Key Sources of Estimation Uncertainty (Cont'd)

(i) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances could be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability of the future taxable profits. The carrying amounts of deferred tax assets and deferred tax liabilities as at the reporting date is disclosed in Note 15 to the financial statements.

(j) Projected Revenue of the Concession Assets

Significant estimation is involved in determining the projected revenue of concession assets where the concession periods range between 15 to 25 years. The projected revenue is estimated based on the contracted tariff as set out in the concession agreement and projected consumption as assessed by the management.

A projection, in this context, means prospective financial information prepared on the basis of assumptions that includes hypothetical assumptions as to future events and management's actions. The projection covers an extended future period for which there are inherent risks; actual results could differ from the projection, which will result in operating results being adjusted in the period in which the revision to assumptions is made. The carrying amount of concession assets as at the reporting date is disclosed in Note 8 to the financial statements.

(k) Carrying Value of Investments in Subsidiaries

Investments in subsidiaries are reviewed for impairment annually in accordance with its accounting policy or whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involves uncertainties and are significantly affected by assumptions and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the carrying value of investments in subsidiaries. The carrying amount of investments in subsidiaries as at the reporting date is disclosed in Note 5 to the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Critical Accounting Estimates and Judgements (Cont'd)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Classification between Investment Properties and Owner-occupied Properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment properties.

(b) Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

(c) Contingent Liabilities

The recognition and measurement for contingent liabilities is based on management's view of the expected outcome on contingencies, after consulting legal counsel for litigation cases and experts, for matters in the ordinary course of business. Furthermore, the directors are of the view that the chances of the financial institutions to call upon the corporate guarantees issued by the Group and the Company are remote.

(d) Share-based Payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Critical Accounting Estimates and Judgements (Cont'd)

Critical Judgements Made in Applying Accounting Policies (Cont'd)

(e) Coronavirus Disease 2019 (COVID-19)

The current outbreak of COVID-19 has resulted in the occurrence of a multitude of associated events such as temporarily closing of businesses, travel restrictions and quarantine measures across the globe. These measures and policies affect supply chains and the production of goods and services and lower economic activity which is likely to result in reduced demand for the Group's goods and services. The Group exercises judgement, in light of all facts and circumstances, to assess what event in this series of events provides additional evidence about the condition that existed at the reporting date and therefore affects the recognition and measurement of the Group's assets and liabilities at 31 May 2020.

4.2 Financial Instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 - Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Financial Instruments (Cont'd)

(a) Financial Assets (Cont'd)

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value Through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Financial Instruments (Cont'd)

(a) Financial Assets (Cont'd)

Equity Instruments (Cont'd)

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Financial Instruments (Cont'd)

(d) Derecognition (Cont'd)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

4.3 Functional and Foreign Currencies

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Functional and Foreign Currencies (Cont'd)

(c) Foreign Operations (Cont'd)

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to foreign operation is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

4.4 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Basis of Consolidation (Cont'd)

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Basis of Consolidation (Cont'd)

(d) Loss of Control (Cont'd)

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.5 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

In respect of equity-accounted associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint ventures.

4.6 Investments in Subsidiaries

Investments in subsidiaries including the share options granted to employees of the subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes the transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Investments in Associates

An associate is an entity in which the Group has a long-term equity interest and where it exercises significant influence over the financial and operating policies.

The investment in an associate is accounted for in the consolidated financial statements using the equity method based on the financial statements of the associate made up to 31 May 2020. The Group's share of the post-acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's investment in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation. The interest in the associate is the carrying amount of the investment in the associate determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate.

Unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 9. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

4.8 Joint Arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements returns.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint operations and joint ventures.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Joint Arrangements (Cont'd)

(a) Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, the obligations for the liabilities, relating to the arrangement. The Group accounts for each of its interest in the joint operations the assets, liabilities, revenue and expenses (including its share of those held or incurred jointly with the other investors) in accordance with the applicable accounting standards.

(b) Joint Ventures

A joint venture is a joint arrangement whereby the Group has rights only to the net assets of the arrangement.

The investment in a joint venture is accounted for in the consolidated financial statements using the equity method, based on the financial statements of the joint venture made up to 31 May 2020. The Group's share of the post-acquisition profits and other comprehensive income of the joint venture is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that joint control commences up to the effective date when the investment ceases to be a joint venture or when the investment is classified as held for sale. The Group's interest in the joint venture is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation. The interest in the joint venture is the carrying amount of the investment in the joint venture determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the joint venture.

Unrealised gains on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated unless cost cannot be recovered.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 9. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that joint venture to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method when an investment in a joint venture becomes an investment in an associate. Under such change in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the joint venture will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in joint ventures are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Property, Plant and Equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The principal annual rates used for this purpose are:-

Leasehold land	Not applicable (2019 - 85 to 93 years)
Buildings	2% - 12.5%
Plant and machinery	10% - 20%
Tools and equipment	10% - 20%
Office equipment	10% - 25%
Furniture and fittings	10%
Motor vehicles	10% - 25%
Renovation	10% - 25%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Impairment

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income, trade receivables and contract assets, as well as on financial guarantee contracts.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Impairment (Cont'd)

(b) Impairment of Non-financial Assets (Cont'd)

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case, the reversal of the impairment loss is treated as a revaluation increase.

4.11 Investment Properties

Investment properties are properties which are owned or right-to-use asset held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on the straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties range from 50 to 999 years.

Freehold land and investment property under construction is not depreciated.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 Inventories

(a) Land Held for Property Development and Property Development Costs

(i) Land Held for Property Development

Land held for property development represents land on which no significant development work has been undertaken.

Land held for property development is stated at the lower of cost and net realisable value.

The cost comprises cost associated with the purchase of land, conversion fees and other relevant levies, and an appropriate proportion of common infrastructure costs.

Net realisable value represents the estimated selling price of intended properties that to be developed less the estimated costs of completion and the estimated costs necessary in selling the properties. If future development layout plan is not available, the replacement cost of the land held for property development will be the best available measure of the net realisable value

Land held for property development is transferred to property development cost category when development activities have commenced and are expected to be completed within the normal operating cycle.

(ii) Property Development Costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs that are not recognised as an expense are recognised as an asset and carried at the lower of cost and net realisable value.

When the financial outcome of a development activity can be reliably estimated, the amount of property revenue and expenses recognised in profit or loss are determined by reference to the stage of completion method. The stage of completion is determined based on the proportion that the property development costs incurred for work performed to date bear to the estimated total property development costs at the end of the reporting period.

When the financial outcome of a development activity cannot be reliably estimated, the property development revenue is recognised only to the extent of property development costs incurred that will be recoverable. The property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Where it is probable that property development costs will exceed property development revenue, any expected loss is recognised as an expense in profit or loss immediately, including costs to be incurred over the defects liability period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 Inventories (Cont'd)

(a) Land Held for Property Development and Property Development Costs (Cont'd)

(ii) Property Development Costs (Cont'd)

The excess of revenue recognised in the profit or loss over billings to purchasers is shown as contract assets and the excess of billings to purchasers over revenue recognised in profit or loss is shown as contract liabilities.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary in selling property.

(b) Completed Development Properties Held for Sales

Inventories, which consist of completed development properties held for sale, the cost of completed development properties is stated at the lower of historical cost and net realisable value. Historical cost includes, where relevant, cost associated with the acquisition of land, including all related costs incurred subsequent to the acquisition necessary to prepare the land for its intended case, related development costs to projects, direct building cost and other costs of bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

(c) Other Inventories

Other inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

4.13 Contract Costs

(a) Incremental Costs of Obtaining a Contract

The Group recognises incremental costs of obtaining contracts with customers as an asset when the Group expects to recover these costs. When the amortisation period of the asset is one year or less, such costs are recognised as an expense immediately when incurred.

(b) Costs to Fulfil a Contract

The Group recognises costs that relate directly to a contract (or an anticipated contract) with customer as an asset when the costs generate or enhance resources of the Group, will be used in satisfying performance obligation in the future and are recovered.

The contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Contract Costs (Cont'd)

An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Any impairment loss recovered shall be reversed to the extent of the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

4.14 Contract Assets and Contract Liabilities

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9 - Financial Instruments.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

4.15 Borrowing Costs

Borrowing costs incurred on borrowings directly associated with property development activities up to completion is capitalised and included as part of property development costs. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

Borrowing costs incurred on borrowings to finance the construction of concession assets during the period that is required to complete and prepare the assets for its intended use are capitalised as part of the cost of the asset.

All other borrowing costs are charged to profit or loss in the period in which they are incurred.

Arising from the Tentative Agenda Decision issued by the IFRS Interpretation Committee relating to the capitalisation of borrowing costs for over time transfer of constructed goods, the Group is required to change its existing accounting policy to cease the capitalisation of borrowing costs on development properties when the assets are ready for their intended sale for reporting period ending 31 May 2022. The Group is currently assessing the potential impact from this change in accounting policy and may opt for early compliance.

4.16 Income Taxes

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the tax authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 Income Taxes (Cont'd)

(b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

4.17 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and fixed deposits pledged to financial institutions.

4.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 Employee Benefits

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss and included in the cost of sales and administrative expenses, where appropriate, in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to a defined contribution plans are recognised in profit or loss and included in the cost of sales and administrative expenses, where appropriate, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans. Foreign subsidiaries of the Group makes contributions to its respective country's pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred.

(c) Unfunded Defined Benefit Plan

Foreign subsidiaries in Indonesia operate an unfunded defined benefit plan ("the plan") for its eligible employees in accordance with the local labour law. The defined benefit obligations under the plan, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries. That benefit is discounted to determine its present value.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

(d) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the end of the reporting date are discounted to present value.

(e) Share-based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as "share options").

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 Employee Benefits (Cont'd)

(e) Share-based Payment Transactions (Cont'd)

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the share option reserve.

Upon expiry of the share option, the employee share option reserve is transferred to retained profits.

When the share options are exercised, the employee share option reserve is transferred to share capital if new ordinary shares are issued.

4.20 Earnings per Ordinary Share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and the warrants.

4.21 Fair Value Measurements

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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. However, this basis does not apply to share-based payment transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.22 Revenue from Contracts with Customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Construction Services

Revenue from construction services is recognised over time in the period in which the services are rendered using the input method, determined based the proportion of construction costs incurred for work performed todate over the estimated total construction costs. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.22 Revenue from Contracts with Customers (Cont'd)

(b) Revenue from Property Development

Revenue from property development is recognised progressively when property development services are rendered and such services do not create an asset with an alternative's use to the Group, and the Group has a present right to payment for services rendered to date. The progress towards complete satisfaction of the performance obligation is measured based on a method that best depicts the Group's performance in satisfying the performance obligation of the contract. This is determined by reference to the property development costs incurred up to the end of the reporting period as a percentage of total estimated costs for complete satisfaction of the contract.

A receivable is recognised when the development activities are carried out as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. When the services rendered exceed the billings to customers, a contract asset is recognised. If the billings exceed the services rendered, a contract liability is recognised.

The Group recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers.

(c) Water Concession

Revenue from water concession is recognised upon transfer of treated water as measured by the meter in the water treatment plant.

4.23 Revenue from Other Sources and Other Operating Income

(a) Management Fee and Administrative Charges

Management fee and administrative charges are recognised upon performance of services.

(b) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

(c) Dividend Income

Dividend income from investments is recognised when the right to receive dividend payment is established.

(d) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

Interest income from financial assets at fair value through profit or loss is included in the net fair value gains/losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.24 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.25 Warrants

Warrants are recognised on the date of issue. The issue of ordinary shares upon exercise of warrants are treated as new subscription of ordinary shares for the consideration equivalent to the warrants exercise price.

4.26 Concession Assets

Concession assets comprise structures, land and buildings, water treatment plants and equipment, reservoirs, dams and distribution pipes operated and maintained by the Group under the Concession Agreements entered into by the Group.

Concession assets are depreciated over the concession period using the unit of water revenue method as follows:

$$\frac{\text{Cumulative actual water revenue}}{\text{Total projected water revenue of the concession}} \times \text{Concession assets capitalised to date}$$

The rationale for using the unit of water revenue method is in line with the pattern in which the assets' economic benefits are consumed by the Group.

The projected total water revenue is estimated based on the contracted tariff and projected water consumption.

At the end of each reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

4.27 Leases

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.27 Leases (Cont'd)

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

Accounting Policies Applied Until 31 May 2019

(a) Finance Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as bank borrowings.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as investment properties.

(b) Operating Leases

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2020	2019
	RM	RM
Unquoted shares, at cost	135,699,389	128,199,390
Amount owing by subsidiaries	14,372,774	14,372,774
Share options granted to employees of subsidiaries	6,635,274	5,479,928
	156,707,437	148,052,092
Allowance for impairment loss	(8,710,000)	(8,710,000)
	147,997,437	139,342,092
Allowance for impairment loss:-		
At 1 June/31 May	(8,710,000)	(8,710,000)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2020	2019	Principal Activities
Gadang Engineering (M) Sdn Bhd and its subsidiaries	Malaysia	100%	100%	Earthwork, building and civil engineering and construction work contractors and investment holding
Bincon Sdn Bhd	Malaysia	100%	100%	Hire of plant and machinery
Era Berkat Sdn Bhd *	Malaysia	100%	100%	Earthwork contractors
Katah Realty Sdn Bhd	Malaysia	100%	100%	Building and civil engineering construction works
Kartamo Corporation Sdn Bhd	Malaysia	100%	100%	Building and civil engineering construction works

Notes to the Financial Statements

For The Financial Year Ended 31 May 2020

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2020	2019	Principal Activities
Gadang Engineering (M) Sdn Bhd and its subsidiaries (Cont'd)				
Gadang Construction Sdn Bhd	Malaysia	100%	100%	Earthwork, building and civil engineering construction works
Yi Sheng Foundation Pte Ltd *	Singapore	100%	-	Contractor of bore pile works
Regional Utilities Sdn Bhd * and its subsidiaries	Malaysia	100%	100%	Investment holding
PT Asian Utilities Indonesia *	Indonesia	100%	100%	Management consulting services
Nusantara Suriamas Sdn Bhd *	Malaysia	70%	70%	Yet to commence business since date of incorporation
Asian Utilities Pte Ltd * and its subsidiaries	Singapore	100%	100%	Investment holding
PT Taman Tirta Sidoarjo *	Indonesia	95%	95%	Water concession
PT Bintang Hytien Jaya *	Indonesia	95%	95%	Water concession
PT Hanarida Tirta Birawa *	Indonesia	95%	95%	Water concession
PT Ikhwan Mega Power *	Indonesia	60%	60%	Power concession
PT Dewata Bangun Tirta *	Indonesia	95%	95%	Water concession
PT Hidronusa Rawan Energi *	Indonesia	80%	80%	Power concession
Datapuri Sdn Bhd	Malaysia	100%	100%	Provision of mechanical and electrical engineering services
Mandy Corporation Sdn Bhd	Malaysia	100%	100%	Property development, building and civil engineering contractor

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2020	2019	Principal Activities
Achwell Property Sdn Bhd	Malaysia	100%	100%	Property development
Gadang Land Sdn Bhd and its subsidiaries	Malaysia	100%	100%	Property development, provision of management services and investment holding
Magnaway Sdn Bhd *	Malaysia	100%	100%	Property management and maintenance
Noble Paradise Sdn Bhd *	Malaysia	100%	100%	Property development
Sama Pesona Sdn Bhd *	Malaysia	100%	100%	Property development
Damai Klasik Sdn Bhd *	Malaysia	100%	100%	Property development
City Version Sdn Bhd *	Malaysia	100%	100%	Property development
Splendid Pavilion Sdn Bhd *	Malaysia	100%	100%	Property development
Natural Domain Sdn Bhd	Malaysia	100%	100%	Property development
Crimson Villa Sdn Bhd	Malaysia	100%	100%	Property development
Elegance Sonata Sdn Bhd	Malaysia	100%	100%	Property development
Hillstrand Development Sdn Bhd	Malaysia	100%	100%	Property development
Detik Tiara Sdn Bhd	Malaysia	100%	100%	Property development
Skyline Symphony Sdn Bhd *	Malaysia	100%	100%	Property development
Tema Warisan Sdn Bhd	Malaysia	100%	100%	Property development
Prelude Avenue Sdn Bhd *	Malaysia	100%	100%	Property development
Special Courtyard Sdn Bhd *	Malaysia	100%	100%	Property management and maintenance

Notes to the Financial Statements

For The Financial Year Ended 31 May 2020

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2020	2019	Principal Activities
Gadang Properties Sdn Bhd and its subsidiary	Malaysia	100%	100%	Property development and investment holding
Buildmark Sdn Bhd *	Malaysia	100%	100%	Property development
Flora Masyhur Sdn Bhd * and its subsidiary	Malaysia	100%	100%	Property development
Camar Ajaib Sdn Bhd	Malaysia	100%	100%	Property development
GLP Resources (M) Sdn Bhd *	Malaysia	100%	100%	Dormant
Gadang Plantations Holdings Sdn Bhd *	Malaysia	100%	100%	Investment holding

* *These subsidiaries were audited by other firms of chartered accountants.*

Changes in the Group Structure during the financial year

(a) On 5 December 2019, the Company's wholly-owned subsidiary, Gadang Engineering (M) Sdn Bhd completed its acquisition of 100% equity interest representing 250,000 ordinary shares in Yi Sheng Foundation Pte Ltd ("Yi Sheng") for a total cash consideration of SGD1,800,000 (equivalent to RM5,532,030). As a result of the acquisition, Yi Sheng became an indirect wholly-owned subsidiary of the Company. The details of the acquisition are disclosed in Note 43(a) to the financial statements.

(b) Summarised financial information of non-controlling interests has not been presented as the non-controlling interests of the subsidiaries are not individually material to the Group.

6. INVESTMENT IN AN ASSOCIATE

	The Group	
	2020 RM	2019 RM
Unquoted shares, at cost	25	25
Share of post-acquisition reserves	(25)	(25)
	-	-

The details of the associate are as follows:-

Name of Associate	Principal Place of Business/ Country of Incorporation	Percentage of Ownership 2020	Percentage of Ownership 2019	Principal Activity
Maha Abadi Sdn Bhd	Malaysia	25%	25%	Dormant

7. INVESTMENT IN JOINT VENTURES

	The Group	
	2020 RM	2019 RM
Unquoted shares, at cost	510,001	510,001
Share of post-acquisition reserves	763,189	1,906,234
	1,273,190	2,416,235

The details of the joint ventures are as follows:-

Name of Joint Venture	Principal Place of Business/ Country of Incorporation	Percentage of Ownership 2020	Percentage of Ownership 2019	Principal Activities
Zeta Datapuri JV Sdn Bhd	Malaysia	45%	45%	Provision of mechanical and electrical engineering services
Gadang CRFG Consortium Sdn Bhd	Malaysia	51%	51%	Building and civil engineering construction works

(a) The Group's involvement in joint arrangements are structured through separate vehicles which provide the Group rights to the net assets of the entities. Accordingly, the Group has classified these investments as joint ventures.

7. INVESTMENT IN JOINT VENTURES (CONT'D)

(b) Although the Group holds more than 50% of the voting power in Gadang CRFG Consortium Sdn Bhd, the Group has determined that it does not have sole control over the investee considering that strategic and financial decisions of the relevant activities of the investee require unanimous consent of all the shareholders.

(c) The summarised audited financial information (after the alignment for the Group's accounting policies) for each joint venture that is material to the Group is as follows:-

	Gadang CRFG Consortium Sdn Bhd	
	2020	2019
At 31 May	RM	RM
Non-current assets	3,926,033	3,213,256
Current assets	31,768,020	40,544,912
Non-current liabilities	-	(259,587)
Current liabilities	(33,745,254)	(39,216,095)
Net assets	1,948,799	4,282,486
Financial year ended 31 May		
Revenue	54,849,237	72,906,210
Depreciation of plant and equipment	(640,011)	(475,971)
Income tax expense	687,041	(862,468)
(Loss)/Profit after taxation for the financial year	(2,333,688)	1,569,079
Other comprehensive income	-	-
Total comprehensive (expenses)/income	(2,333,688)	1,569,079
Group's share of (loss)/profit for the financial year	(1,190,181)	800,230
Group's share of other comprehensive income	-	-
Reconciliation of Net Assets to Carrying Amount		
Group's share of net assets above	993,887	2,184,068
Carrying amount of Group's interest in this joint venture	993,887	2,184,068

(d) The summarised unaudited financial information (after the alignment for the Group's accounting policies) for other joint venture that is immaterial to the Group is as follows:-

	Other Immaterial Joint Venture	
	2020	2019
Financial year ended 31 May	RM	RM
Group's share of profit for the financial year	47,136	134,954
Group's share of other comprehensive income	-	-
Group's share of total comprehensive income	47,136	134,954
Aggregate carrying amount of the Group's interests in joint venture	279,303	232,167

8. CONCESSION ASSETS

	The Group	
	2020	2019
Cost	RM	RM
At 1 June	151,728,311	139,277,159
Additions	17,482,564	8,814,713
Foreign exchange difference	1,639,502	3,636,439
At 31 May	170,850,377	151,728,311
Accumulated depreciation		
At 1 June	(25,095,618)	(21,826,825)
Charge for the financial year (Note 37)	(2,628,096)	(2,514,282)
Foreign exchange difference	(310,203)	(754,511)
At 31 May	(28,033,917)	(25,095,618)
Accumulated impairment loss		
At 1 June	(302,749)	(294,511)
Foreign exchange difference	(3,089)	(8,238)
At 31 May	(305,838)	(302,749)
Carrying value	142,510,622	126,329,944

Concession assets with an aggregate carrying value of RM116,284,766 (2019 - RM95,760,211) pledged to licensed banks as security for credit facilities granted to subsidiaries as disclosed in Note 28 to the financial statements.

Notes to the Financial Statements

For The Financial Year Ended 31 May 2020

9. Property, Plant And Equipment

The Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Total RM
31 May 2020										
Cost										
At 1 June 2019 (as previously reported)	2,860,000	4,854,550	9,212,917	143,389,671	17,325,177	4,269,867	2,526,322	19,627,563	3,443,236	207,509,303
Initial application of MFRS 16	-	(4,854,550)	(105,991)	(28,468,078)	-	-	-	(9,563,944)	-	(42,992,563)
At 1 June 2019 (as restated)	2,860,000	-	9,106,926	114,921,593	17,325,177	4,269,867	2,526,322	10,063,619	3,443,236	164,516,740
Acquisition of subsidiaries	-	-	-	4,457,600	-	-	-	-	-	4,457,600
Reclassification	-	-	-	-	-	-	-	90,133	-	90,133
Additions (Note 45(a))	-	-	-	2,110,583	361,239	287,783	27,701	168,076	-	2,955,382
Disposals/Writeoff	-	-	-	(8,196,010)	-	(162,125)	(32,576)	(742,861)	-	(9,133,572)
Foreign exchange difference	-	-	216	40,554	-	5,995	-	6,887	519	54,171
At 31 May	2,860,000	-	9,107,142	113,334,320	17,686,416	4,401,520	2,521,447	9,585,854	3,443,755	162,940,454

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Total RM
31 May 2020										
Accumulated depreciation										
At 1 June 2019 (as previously reported)	-	331,638	3,401,311	109,844,613	7,966,146	2,496,015	1,839,049	14,319,056	1,751,420	141,949,248
Initial application of MFRS 16	-	(331,638)	(7,402)	(7,499,225)	-	-	-	(4,956,569)	-	(12,794,834)
At 1 June 2019 (as restated)	-	-	3,393,909	102,345,388	7,966,146	2,496,015	1,839,049	9,362,487	1,751,420	129,154,414
Acquisition of subsidiaries	-	-	-	74,258	-	-	-	-	-	74,258
Reclassification	-	-	-	-	-	-	-	90,133	-	90,133
Charge for the financial year:										
- recognised in profit or loss (Note 37)	-	-	179,035	585,837	462,984	351,340	167,667	57,306	214,026	2,018,195
- recognised in cost of sales (Note 35)	-	-	-	4,848,331	2,227,448	117,036	1,113	101,722	-	7,295,650
	-	-	179,035	5,434,168	2,690,432	468,376	168,780	159,028	214,026	9,313,845
Disposals/Writeoff	-	-	-	(7,835,994)	-	(119,619)	(19,410)	(710,007)	-	(8,685,030)
Foreign exchange difference	-	-	223	7,214	-	5,226	-	4,573	520	17,756
At 31 May	-	-	3,573,167	100,025,034	10,656,578	2,849,998	1,988,419	8,906,214	1,965,966	129,965,376

Notes to the Financial Statements

For The Financial Year Ended 31 May 2020

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Total RM
31 May 2020										
Accumulated impairment loss										
At 1 June	-	-	-	3,909,793	-	943	-	-	-	3,910,736
Disposals/Writeoff	-	-	-	(218,730)	-	-	-	-	-	(218,730)
Foreign exchange difference	-	-	-	-	-	10	-	-	-	10
At 31 May	-	-	-	3,691,063	-	953	-	-	-	3,692,016
Carrying value	2,860,000	-	5,533,975	9,618,223	7,029,838	1,550,569	533,028	679,640	1,477,789	29,283,062

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Total RM
31 May 2019										
Cost										
At 1 June	2,860,000	4,854,550	9,212,341	152,109,607	7,822,776	3,971,116	2,512,887	19,663,367	3,363,810	206,370,454
Additions (Note 45(a))	-	-	-	1,589,500	10,722,487	484,700	33,118	705,199	78,039	13,613,043
Disposals/Writeoff	-	-	-	(10,309,436)	(1,220,086)	(201,261)	(19,683)	(761,415)	-	(12,511,881)
Foreign exchange difference	-	-	576	-	-	15,312	-	20,412	1,387	37,687
At 31 May	2,860,000	4,854,550	9,212,917	143,389,671	17,325,177	4,269,867	2,526,322	19,627,563	3,443,236	207,509,303

Notes to the Financial Statements

For The Financial Year Ended 31 May 2020

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Total RM
31 May 2019										
Accumulated depreciation										
At 1 June	-	278,516	3,214,404	100,318,570	6,387,496	2,207,493	1,685,864	12,932,102	1,516,070	128,540,515
Charge for the financial year:										
- recognised in profit or loss (Note 37)	-	53,122	186,409	-	468,510	335,771	166,203	1,072,515	233,962	2,516,492
- recognised in cost of sales (Note 35)	-	-	-	13,897,607	2,215,592	109,619	1,370	1,023,302	-	17,247,490
	-	53,122	186,409	13,897,607	2,684,102	445,390	167,573	2,095,817	233,962	19,763,982
Disposals/Writeoff	-	-	-	(4,371,564)	(1,105,452)	(170,035)	(14,388)	(719,924)	-	(6,381,363)
Foreign exchange difference	-	-	498	-	-	13,167	-	11,061	1,388	26,114
At 31 May	-	331,638	3,401,311	109,844,613	7,966,146	2,496,015	1,839,049	14,319,056	1,751,420	141,949,248

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Total RM
31 May 2019										
Accumulated impairment loss										
At 1 June	-	-	-	4,046,499	-	917	-	-	-	4,047,416
Disposals/Writeoff	-	-	-	(136,706)	-	-	-	-	-	(136,706)
Foreign exchange difference	-	-	-	-	-	26	-	-	-	26
At 31 May	-	-	-	3,909,793	-	943	-	-	-	3,910,736
Carrying value	2,860,000	4,522,912	5,811,606	29,635,265	9,359,031	1,772,909	687,273	5,308,507	1,691,816	61,649,319

Notes to the Financial Statements

For The Financial Year Ended 31 May 2020

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company	Motor vehicles RM	Furniture and fittings RM	Office equipment RM	Total RM
31 May 2020				
Cost				
At 1 June	13,768	182,927	357,744	554,439
Additions (Note 45(a))	-	17,575	107,601	125,176
Writeoff	-	-	(1,760)	(1,760)
At 31 May	13,768	200,502	463,585	677,855
Accumulated depreciation				
At 1 June	4,360	49,397	138,541	192,298
Charge for the financial year (Note 37)	2,754	18,071	49,760	70,585
Writeoff	-	-	(1,320)	(1,320)
At 31 May	7,114	67,468	186,981	261,563
Carrying value	6,654	133,034	276,604	416,292
31 May 2019				
Cost				
At 1 June	13,768	183,112	432,637	629,517
Additions (Note 45(a))	-	3,568	38,160	41,728
Disposals/Writeoff	-	(3,753)	(113,053)	(116,806)
At 31 May	13,768	182,927	357,744	554,439
Accumulated depreciation				
At 1 June	1,606	34,966	200,886	237,458
Charge for the financial year (Note 37)	2,754	18,175	39,328	60,257
Disposals/Writeoff	-	(3,744)	(101,673)	(105,417)
At 31 May	4,360	49,397	138,541	192,298
Carrying value	9,408	133,530	219,203	362,141

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) In the previous financial year, included in the property, plant and equipment of the Group were plant and machinery and motor vehicles with total carrying amount of RM25,042,796 which were acquired under hire purchase term. These leased assets had been pledged as security for the Group as disclosed in Note 29 to the financial statements.

(b) Land and buildings with an aggregate carrying value of RM8,393,754 (2019 - RM13,072,614) are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 28 to the financial statements.

10. RIGHT-OF-USE ASSETS

The Group	Leasehold land RM	Plant and machinery RM	Motor vehicles RM	Total RM
31 May 2020				
Cost				
At 1 June 2019 (as previously reported)	-	-	-	-
Initial application of MFRS 16	4,960,541	28,468,078	9,563,944	42,992,563
At 1 June 2019 (as restated)	4,960,541	28,468,078	9,563,944	42,992,563
Additions (Note 45(a))	-	-	416,006	416,006
Disposals/Writeoff	-	(5,895,163)	(559,584)	(6,454,747)
At 31 May	4,960,541	22,572,915	9,420,366	36,953,822
Accumulated depreciation				
At 1 June 2019 (as previously reported)	-	-	-	-
Initial application of MFRS 16	339,040	7,499,225	4,956,569	12,794,834
At 1 June 2019 (as restated)	339,040	7,499,225	4,956,569	12,794,834
Charge for the financial year:				
- recognised in profit or loss (Note 37)	54,306	-	712,101	766,407
- recognised in cost of sales (Note 35)	-	3,110,962	857,569	3,968,531
	54,306	3,110,962	1,569,670	4,734,938
Disposals/Writeoff	-	(1,215,905)	(398,977)	(1,614,882)
At 31 May	393,346	9,394,282	6,127,262	15,914,890
Carrying value	4,567,195	13,178,633	3,293,104	21,038,932

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

10. RIGHT-OF-USE ASSETS (CONT'D)

(a) The Group leases certain pieces of leasehold land, plant and machinery and motor vehicles of which the leasing activities are summarised below:-

(i) Leasehold land

The Group has entered into a non-cancellable operating lease agreements for the use of land. The lease is for a period of 85 to 93 years with no renewal or purchase option included in the agreements. The leasehold land with an aggregate carrying value of RM4,450,076 has been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 28 to the financial statements.

(ii) Plant and machinery and motor vehicles

The Group has leased its plant and machinery and motor vehicles under hire purchase arrangements. At the end of the lease term, the ownership of the assets would be transferred to the Group. The leased assets are pledged to licensed banks as security for lease liabilities of the Group as disclosed in Note 30 to the financial statements.

(b) The Group also has leases with lease terms of 12 months or less and leases of hostel, site office and office equipment with low value. The Group has applied the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

(c) The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the portfolio of leased asset and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

11. INVESTMENT PROPERTIES

	The Group	
	2020	2019
Cost	RM	RM
At 1 June	83,854,736	83,551,020
Additions during the financial year	119,100	303,716
Disposal	(1,438,200)	-
At 31 May	82,535,636	83,854,736
Accumulated depreciation		
At 1 June	2,581,198	1,704,708
Charge for the financial year (Note 37)	904,660	876,490
Disposal	(107,100)	-
At 31 May	3,378,758	2,581,198
Accumulated impairment loss		
At 1 June	2,997,000	2,997,000
Addition during the financial year (Note 37)	50,492	-
At 31 May	3,047,492	2,997,000
Carrying value	76,109,386	78,276,538
Represented by:-		
Freehold lands	222,800	222,800
Leasehold lands	72,843,386	74,968,638
Buildings	3,043,200	3,085,100
	76,109,386	78,276,538

Investment properties with an aggregate carrying value of RM66,859,853 (2019 - RM68,974,416) are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 28 to the financial statements.

The fair values of the investment properties of the Group as at the reporting date are estimated at RM87,659,776 (2019 - RM84,471,732) based on directors' assessment of the current prices in an active market for the respective properties within each vicinity.

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For The Financial Year Ended 31 May 2020

12. INVENTORIES

	The Group	
	2020	2019
	RM	RM
Non-current:-		
Land held for property development (Note 12(a))	3,912,991	3,905,097
Current:-		
Property development costs (Note 12(b))	772,425,017	792,899,393
Developed properties held for sale (Note 12(c))	61,378,737	65,960,221
Raw materials	55,962	78,992
	833,859,716	858,938,606

(a) Land Held for Property Development

	The Group	
	2020	2019
	RM	RM
At 1 June	3,905,097	3,897,203
Cost incurred during the financial year	7,894	7,894
At 31 May	3,912,991	3,905,097
Represented by:-		
Freehold land	3,693,200	3,693,200
Development costs	219,791	211,897
	3,912,991	3,905,097

12. INVENTORIES (CONT'D)

(b) Property Development Costs

The Group	Freehold land RM	Right-of-use assets (Leasehold land) RM	Development costs RM	Total RM
At 31 May 2020				
Cumulative property development cost				
At 1 June	532,087,113	84,559,477	398,294,178	1,014,940,768
Cost incurred during the financial year	1,082,314	-	73,242,397	74,324,711
Addition in land proprietary entitlement	10,230,614	419,570	-	10,650,184
Reversal of completed projects	(20,283,559)	-	(174,671,773)	(194,955,332)
Transferred to developed properties held for sales	(2,336,424)	-	(17,811,761)	(20,148,185)
At 31 May	520,780,058	84,979,047	279,053,041	884,812,146
Cumulative costs recognised in profit or loss				
At 1 June	(22,546,595)	(626,629)	(198,868,151)	(222,041,375)
Cost recognised during the financial year	(5,242,491)	(11,883,146)	(68,175,449)	(85,301,086)
Reversal of completed projects	20,283,559	-	174,671,773	194,955,332
At 31 May	(7,505,527)	(12,509,775)	(92,371,827)	(112,387,129)
Property development cost at 31 May 2020	513,274,531	72,469,272	186,681,214	772,425,017

12. INVENTORIES (CONT'D)

(b) Property Development Costs (Cont'd)

The Group	Freehold land RM	Right-of-use assets (Leasehold land) RM	Development costs RM	Total RM
At 31 May 2019				
Cumulative property development cost				
At 1 June	542,621,624	80,109,727	324,073,342	946,804,693
Cost incurred during the financial year	963,298	-	94,379,128	95,342,426
(Reduction)/Addition in land proprietary entitlement	(10,654,433)	4,449,750	-	(6,204,683)
Reversal of completed projects	(295,151)	-	(6,608,425)	(6,903,576)
Transferred to developed properties held for sales	(548,225)	-	(13,549,867)	(14,098,092)
At 31 May	532,087,113	84,559,477	398,294,178	1,014,940,768
Cumulative costs recognised in profit or loss				
At 1 June	(11,734,207)	-	(100,789,773)	(112,523,980)
Cost recognised during the financial year	(11,107,539)	(626,629)	(104,686,803)	(116,420,971)
Reversal of completed projects	295,151	-	6,608,425	6,903,576
At 31 May	(22,546,595)	(626,629)	(198,868,151)	(222,041,375)
Property development cost at 31 May 2019	509,540,518	83,932,848	199,426,027	792,899,393

(i) Included in development costs is interest expense capitalised during the financial year amounting to RM9,988,412 (2019 - RM11,633,667).

(ii) The lands under development of the Group with an aggregate carrying value of RM173,763,742 (2019 - RM185,011,181) are pledged to financial institutions for banking facilities granted to the Group as disclosed in Note 28 to the financial statements.

(iii) Included in property development costs is land proprietor's entitlement of the Group committed through:-

(aa) the Joint Development Agreement with Cyberview Sdn Bhd to undertake the proposed development measuring 121.49 acres of land held under H.S.(D) 33156 PT No. 47223, Mukim Dengkil, District of Sepang, State of Selangor with a carrying value of RM111,362,177 (2019 - RM108,399,544);

12. INVENTORIES (CONT'D)

(b) Property Development Costs (Cont'd)

(iii) Included in property development costs is land proprietor's entitlement of the Group committed through:- (Cont'd)

(bb) the Development Right Agreement with Kwasa Development (3) Sdn Bhd to undertake the proposed development measuring 21.08 acres of freehold land held under GRN 319910, Lot No. 85111, Mukim Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan with a carrying value of RM143,290,989 (2019 - RM143,899,643); and

(cc) the Joint Venture Agreement with Perikatan Progresif Sdn Bhd to undertake the proposed development measuring 17.5 acres of land held under PN 39250 Lot 1400, Mukim Dengkil, Daerah Sepang, Negeri Selangor Darul Ehsan with a carrying value of RM28,893,712 (2019 - RM40,141,150). The land has been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 28 to the financial statements.

The title deeds in respect of the land proprietor's entitlement are not registered under the subsidiary's name as these title deeds will be transferred directly to the purchasers upon completion of the properties development.

(c) Developed Properties Held for Sales

The developed properties held for sales amounting to RM41,009,325 (2019 - RM52,044,428) have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 28 to the financial statements.

	The Group	
	2020	2019
Recognised in profit or loss:-	RM	RM
Developed properties held for sales recognised as cost of sales	22,837,186	17,460,945
Amount written down to net realisable value	549,954	-

13. OTHER INVESTMENTS

	The Group		The Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Quoted shares, at fair value	6,800,000	13,200,000	6,800,000	13,200,000
Unquoted shares, at fair value	-	100,000	-	-
	6,800,000	13,300,000	6,800,000	13,200,000

13. OTHER INVESTMENTS (CONT'D)

Equity Investments at Fair Value Through Other Comprehensive Income

(a) The Group designated its investments in unquoted shares to be measured at fair value through other comprehensive income because the Group intends to hold for long-term strategic purposes.

(b) The fair value of each investment is summarised below:-

	The Group	
	2020 RM	2019 RM
Unquoted shares of Golden Horse Palace Berhad	-	100,000

(c) During the financial year, the Group has disposed of its investments in Golden Horse Palace Berhad as this investment no longer suited the Group's investment strategy. The shares sold had a fair value of RM100,000 at the time of sale.

14. GOODWILL ON CONSOLIDATION

	The Group	
	2020 RM	2019 RM
Cost		
At 1 June	36,561,423	36,244,248
Acquisition of a subsidiary (Note 43)	5,447,048	5,889
Foreign exchange difference	143,139	311,286
At 31 May	42,151,610	36,561,423
Accumulated impairment loss		
At 1 June	(19,149,284)	(19,143,395)
Addition during the financial year (Note 37)	-	(5,889)
At 31 May	(19,149,284)	(19,149,284)
Carrying value	23,002,326	17,412,139

(a) The carrying amounts of goodwill allocated to each cash-generating unit are as follows:-

	The Group	
	2020 RM	2019 RM
Construction division	5,473,455	-
Property development	5,939,203	5,939,203
Power concession	5,300,590	5,247,384
Water concession	6,289,078	6,225,552
	23,002,326	17,412,139

14. GOODWILL ON CONSOLIDATION (CONT'D)

(b) The Group has assessed the recoverable amounts of goodwill allocated and determined that no additional impairment is required. The recoverable amounts of the cash-generating units are determined using the value in use approach and fair value less costs of disposal. The value in use approach is derived from the present value of the future cash flows from the operating segments computed based on the projections of financial budget approved by management covering a period of 3 to 5 years and throughout the concession period. The key assumptions used in the determination of the recoverable amounts are as follows:-

	Gross Margin		Growth Rate		Discount Rate	
	2020	2019	2020	2019	2020	2019
	%	%	%	%	%	%
Construction division	5 - 10	-	Nil	-	13	-
Property development	84	84	Nil	Nil	13	15
Power concession	64 - 90	71 - 92	3 - 5	Nil - 3	15	16
Water concession	60 - 79	42 - 79	3 - 7	3 - 7	15	16

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budgeted year adjusted for expected efficiency improvements and cost saving measures.

(ii) Growth rate

The forecast and projection reflect management expectation of revenue growth, operating costs and margins for the cash-generating units based on past experience. The increment in tariff rate is in accordance with Concession Agreement.

(iii) Discount rate

The discount rate used is pre-tax and reflects specific risks relating to the relevant segments.

The values assigned to the key assumption represent management's assessment of future trends in the cash-generating units and are based on both external sources and internal historical data. Terminal value is not considered as the projections are prepared based on remaining concession period granted and construction period.

(c) The directors believe that there is no reasonably possible change in the above key assumptions applied that is likely to materially cause the respective cash-generating unit carrying amount to exceed its recoverable amount.

Notes to the Financial Statements

For The Financial Year Ended 31 May 2020

15. DEFERRED TAX LIABILITIES/(ASSETS)

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 June	(14,166,277)	(11,581,949)	-	-
Recognised in profit or loss (Note 41)	(8,886,530)	(2,634,326)	49,442	-
Recognised in other comprehensive income	50,931	62,593	-	-
Acquisition of subsidiaries	6,382	-		
Foreign exchange difference	(5,520)	(12,595)	-	-
At 31 May	(23,001,014)	(14,166,277)	49,442	-
Presented after appropriate offsetting as follows:-				
Deferred tax liabilities	3,078,238	4,173,600	49,442	-
Deferred tax assets	(26,079,252)	(18,339,877)	-	-
	(23,001,014)	(14,166,277)	49,442	-

Deferred tax assets and liabilities are attributable to the following items:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Deferred tax assets:-				
Accretion of interest on receivables	-	(85,854)	-	-
Employee benefits	(565,457)	(498,870)	-	-
Impairment loss on receivables	(107,388)	(36,800)	-	-
Inventories written down	(609,665)	-	-	-
Unrealised profit	(13,943,807)	(10,588,689)	-	-
Unused tax losses	(2,338,184)	(4,166,176)	-	-
Unabsorbed capital allowances	(1,335,223)	(318,566)	-	-
Provisions	(5,247,810)	(2,988,713)	-	-
Timing differences on allowable expenses	(1,909,514)	(665,033)	-	-
Deferred tax assets (before offsetting)	(26,057,048)	(19,348,701)	-	-
Offsetting	(22,204)	1,008,824	-	-
Deferred tax assets (after offsetting)	(26,079,252)	(18,339,877)	-	-
Deferred tax liabilities:-				
Accretion of interest on payables	477	53,754	-	-
Accelerated capital allowances over depreciation	1,473,029	3,590,079	49,442	-
Realisation of revaluation reserve on land	1,582,528	1,538,591	-	-
Deferred tax liabilities (before offsetting)	3,056,034	5,182,424	49,442	-
Offsetting	22,204	(1,008,824)	-	-
Deferred tax liabilities (after offsetting)	3,078,238	4,173,600	49,442	-

15. DEFERRED TAX LIABILITIES/(ASSETS) (CONT'D)

The recognition of the deferred tax assets is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The evidence used to support this recognition is the management's budget approved by the directors, which shows that it is probable that the deferred tax assets would be realised in future years.

At the end of the reporting period, the Group has unused tax losses and unabsorbed capital allowances stated at gross of RM12,070,039 (2019 - RM1,641,560) and RM640,125 (2019 - RM117,009) respectively that are available for offset against future taxable profits of the subsidiaries in which the losses arose. No deferred tax assets are recognised in respect of these items as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary differences can be utilised.

The unused tax losses are allowed to be utilised for 7 consecutive years of assessment while unabsorbed capital allowances are allowed to be carried forward indefinitely.

16. CONTRACT COSTS

	The Group	
	2020	2019
	RM	RM
Incremental costs of obtaining a contract	1,437,986	1,050,325

The incremental costs of obtaining a contract primarily comprise commissions paid to real estate agents as a result of obtaining property sales and purchase contracts with customers. The costs are to be amortised over the period when the related revenue is recognised, ranging from 1 to 3 (2019 - 2 to 3) years.

Notes to the Financial Statements

For The Financial Year Ended 31 May 2020

17. TRADE AND NON-TRADE RECEIVABLES

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade receivables	74,550,328	81,854,149	-	-
Less: Impairment loss				
At 1 June	-	(137,476)	-	-
Written off	-	137,476	-	-
At 31 May	-	-	-	-
Trade receivables, net	74,550,328	81,854,149	-	-
Amount owing by subsidiaries	-	-	207,205,487	200,952,331
Less: Accretion of interest				
At 1 June	-	-	-	(538,404)
Reversal during the financial year	-	-	-	538,404
At 31 May	-	-	-	-
Amount owing by subsidiaries, net (Note 18)	-	-	207,205,487	200,952,331
Amount owing by joint ventures (Note 19)	11,140,267	11,346,511	-	-
Non-trade receivables	37,427,830	40,357,674	6,764,351	6,785,922
Prepayments	10,351,219	6,170,343	227,700	237,637
Deposits	7,255,444	7,004,494	313,825	16,200
Goods and services tax recoverable	421,583	1,050,303	-	8,543
Advances to subcontractors	11,536,265	25,329,270	-	-
	78,132,608	91,258,595	214,511,363	208,000,633
Less: Impairment loss				
At 1 June	(6,903,333)	(6,750,000)	(6,750,000)	(6,750,000)
Additions during the financial year	(294,115)	(153,333)	-	-
At 31 May	(7,197,448)	(6,903,333)	(6,750,000)	(6,750,000)
Less: Accretion of interest				
At 1 June	(357,727)	(414,801)	-	-
Reversal during the financial year	75,844	57,074	-	-
At 31 May	(281,883)	(357,727)	-	-
Non-trade receivables, net	70,653,277	83,997,535	207,761,363	201,250,633
Trade and non-trade receivables	145,203,605	165,851,684	207,761,363	201,250,633

17. TRADE AND NON-TRADE RECEIVABLES (CONT'D)

The maturities of trade and non-trade receivables are as follows:-

	The Group		The Company	
	2020	2019	2020	2019
Current:-	RM	RM	RM	RM
Receivables within one year	142,312,783	163,189,916	138,841,558	120,205,985
Non-current:-				
Receivables more than one year but less than five years	2,890,822	2,661,768	68,919,805	81,044,648
	145,203,605	165,851,684	207,761,363	201,250,633

(a) The Group's normal trade credit terms range from 30 to 90 (2019 - 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

(b) Included in non-trade receivables of the Group is an amount owing by a party related to a director of the Company. Balances as at end of the reporting period are as follows:-

	The Group	
	2020	2019
Party related to	RM	RM
Tan Sri Dato' Kok Onn:		
- Kok Khim Boon (brother)	1,149,557	2,110,829

(c) The advances to subcontractors are unsecured and interest-free. The amount owing will be offset against future workdone from the subcontractors.

(d) Included in the trade receivables are stakeholder sums totalling RM18,508,306 (2019 - RM15,916,608). These stakeholder sums are expected to be collected within the periods ranging from 1 to 24 (2019 - 1 to 23) months.

18. AMOUNTS OWING BY SUBSIDIARIES

	The Company	
	2020	2019
Amount owing by subsidiaries (Note 17):-	RM	RM
Current		
Trade balances	9,162,255	7,527,129
Non-trade balances	129,123,427	112,380,554
	138,285,682	119,907,683
Non-current		
Non-trade balances	68,919,805	81,044,648
	207,205,487	200,952,331

The trade balances are subject to the normal trade credit terms ranging from 30 to 90 (2019 - 30 to 90) days. The amounts owing are to be settled in cash.

The non-trade balances represent unsecured advances and payments made on behalf which are non-interest bearing except for interest bearing balances of RM131,027,189 (2019 - RM123,400,093) at interest rate of 5% (2019 - 5%) per annum. The amounts are repayable on demand or not more than 5 years and to be settled in cash.

19. AMOUNT OWING BY JOINT VENTURES

	The Group	
	2020	2019
Amount owing by joint ventures (Note 17):-	**RM**	**RM**
Current		
Non-trade balances	11,140,267	11,346,511

The amount owing by joint ventures represent unsecured interest-free advances and payments made on behalf which are repayable on demand. The amount owing is to be settled in cash.

20. CONTRACT ASSETS/(CONTRACT LIABILITIES)

	The Group	
	2020	2019
Contract Assets	**RM**	**RM**
Contract assets relating to:		
- construction	146,059,360	159,788,123
- property development	11,275,290	55,510,009
	157,334,650	215,298,132
Contract Liabilities		
Contract liabilities relating to:		
- construction	(32,972,554)	(35,909,492)
- property development	(54,949,731)	(36,874,472)
	(87,922,285)	(72,783,964)

(a) Contract assets from construction

The contract assets primarily relate to the Group's right to consideration for construction work completed on construction contracts but not yet billed to customers as at the reporting date. The amount will be invoiced within 3 to 40 (2019 - 3 to 36) months. Included in the contract assets are retention sum receivables totalling RM57,790,587 (2019 - RM28,824,555).

(b) Contract assets from property development

The contract assets represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts. The amount will be invoiced within 1 to 3 (2019 - 1 to 3) months.

(c) Contract liabilities

The contract liabilities primarily relate to advance considerations received from customers of which the revenue will be recognised over the remaining contract term of the specific contract it relates to, ranging from 3 to 23 (2019 - 3 to 35) months.

20. CONTRACT ASSETS/(CONTRACT LIABILITIES) (CONT'D)

(d) The changes to contract asset and contract liability balances during the financial year are summarised below:-

	The Group	
	2020	2019
	RM	RM
At 1 June	142,514,168	452,638
Revenue recognised in profit or loss during the financial year	647,934,476	664,152,121
Billings to customers during the financial year	(721,036,279)	(522,090,591)
At 31 May	69,412,365	142,514,168
Represented by:-		
Contract assets	157,334,650	215,298,132
Contract liabilities	(87,922,285)	(72,783,964)
	69,412,365	142,514,168

(e) As at the end of the reporting period, the transaction price allocated to the unsatisfied or partially unsatisfied performance obligations of long term contracts is RM800,370,637 (2019 - RM1,157,625,322). These remaining performance obligations are expected to be recognised as below:-

	The Group	
	2020	2019
Within 1 year	540,202,721	774,897,967
Between 1 to 5 years	260,167,916	382,727,355
	800,370,637	1,157,625,322

21. SHORT TERM FUNDS

	The Group		The Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Money market fund, at fair value	94,876,316	33,130,408	25,752,648	1,854,695

Short term funds represent investment in trust funds managed by licensed investment management companies, which are tax exempt, fixed deposit linked and allow prompt redemption at any time.

22. DEPOSITS WITH LICENSED BANKS

	The Group		The Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Deposits with licensed banks	101,609,741	98,414,401	11,978,395	11,671,692

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22. DEPOSITS WITH LICENSED BANKS (CONT'D)

(a) The deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 1.17% to 5.25% (2019 - 2.00% to 7.00%) per annum and 2.05% to 2.55% (2019 - 2.55% to 2.80%) per annum respectively. The deposits have maturity periods ranging from 1 to 12 (2019 - 1 to 12) months.

(b) Included in the deposits with licensed banks of the Group and of the Company at the end of the reporting period was an amount of RM81,548,266 and RM11,978,395 (2019 - RM68,376,978 and RM11,671,692) which has been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 27 to the financial statements.

23. CASH AND BANK BALANCES

	The Group		The Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash and bank balances	106,340,321	85,330,295	18,546,990	4,559,788

Included in the cash and bank balances of the Group is an amount of RM58,968,973 (2019 - RM30,031,962) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and which is restricted from use in other operations.

24. SHARE CAPITAL

	The Group/The Company			
	2020	2019	2020	2019
	Number of shares		RM	RM
Issued and fully paid-up:-				
At 1 June	661,720,995	661,720,995	338,380,295	338,380,295
Issuance of shares pursuant to:				
- exercise of ESOS	168,000	-	144,480	-
- private placement	66,172,000	-	50,952,440	-
Transfer from share option reserves upon ESOS exercised	-	-	43,394	-
At 31 May	728,060,995	661,720,995	389,520,609	338,380,295

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

During the financial year, the Company increased its issued and paid-up share capital from RM338,380,295 to RM 389,520,609 by way of:-

(i) an issuance of 66,172,000 new ordinary shares for a cash consideration of RM50,952,440 for the purpose of working capital; and

(ii) an issuance of 168,000 new ordinary shares from the exercise of options under the Company's Employees' Share Option Scheme at the exercise price of RM0.86 per option which amounted to RM144,480.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

25. RESERVES

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-distributable				
Capital reserves (Note 25(a))	1,346,681	1,346,681	-	-
Foreign exchange translation reserves (Note 25(b))	(1,735,335)	(2,531,533)	-	-
Share option reserves (Note 25(c))	5,680,518	4,454,730	5,680,518	4,454,730
	5,291,864	3,269,878	5,680,518	4,454,730
Distributable				
Retained profits	419,248,707	392,185,709	23,255,510	22,144,678
	424,540,571	395,455,587	28,936,028	26,599,408

(a) Capital reserves

The capital reserves are in respect of share premium of Gadang Engineering (M) Sdn Bhd, a subsidiary of the Company, which was capitalised for a bonus issue.

(b) Foreign exchange translation reserves

The foreign exchange translation reserves arose from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency.

(c) Share option reserves

The share option reserves represent the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

25. RESERVES (CONT'D)

(c) Share option reserves (Cont'd)

The ESOS is governed by the ESOS By-Laws and was approved by shareholders on 3 November 2016. The ESOS is to be in force for a period of 5 years effective from 6 December 2016.

The main features of the ESOS are as follows:-

(i) Eligible persons are employees and/or directors of the Group, save for companies which are dormant, who have been confirmed in the employment of the Group and have served for at least 1 year before the date of the offer.

(ii) The maximum number of new ordinary shares of the Company, which may be available under the scheme, shall not exceed in aggregate 15% of the prevailing issued and paid-up share capital of the Company at any point in time when an offer is made throughout the duration of the scheme.

(iii) The option price shall be determined by the ESOS Committee based on the 5-day volume weighted average market price of each ordinary share as quoted on Bursa Securities, immediately preceding the date of offer of the ESOS option, with a discount of not more than 10%, or at the par value of ordinary shares of the Company, whichever is higher.

(iv) The option may be exercised by the option holders by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new ordinary shares of the Company comprised in the ESOS.

(v) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to date of allotment and issuance of the new ordinary shares.

(vi) These options may be exercised at any date during the option period not later than 5 December 2021 subject to the following maximum limits:-

	% to be exercised in				
No. of options granted	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
85,280,500	20%	20%	20%	20%	20%
15,201,200	-	25%	25%	25%	25%

Options which are exercisable in a particular year but are not exercised may be carried forward to subsequent years but not later than 5 December 2021. All unexercised options shall be exercisable in the last year of the option period. Any options which remain unexercised at the expiry of the option period shall be automatically terminated.

25. RESERVES (CONT'D)

(c) Share option reserves (Cont'd)

The option price and the details in the movement of the share options are as follows:-

Exercise price (RM)	Date of offer	No. of options over ordinary shares: As at 1 June	Granted	Exercised	Lapsed	As at 31 May	Exercisable as at 31 May
2020							
0.86	16.12.2016	60,085,800	-	(168,000)	(2,415,100)	57,502,700	43,383,100
1.03	5.1.2018	13,203,600	-	-	(591,200)	12,612,400	9,459,300
		73,289,400	-	(168,000)	(3,006,300)	70,115,100	52,842,400
2019							
0.86	16.12.2016	67,372,700	-	-	(7,286,900)	60,085,800	30,680,400
1.03	5.1.2018	14,933,300	-	-	(1,729,700)	13,203,600	6,601,800
		82,306,000	-	-	(9,016,600)	73,289,400	37,282,200

No person to whom the share option has been granted above has any right to participate by virtue of the option in any share issue of the any other company.

The options which lapsed during the financial year were due to resignations of employees.

The fair values of the share options granted were estimated using a black-scholes model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at grant date and the assumptions used are as follows:-

	The Group/The Company			
	First Grant		Second Grant	
	Tranche 4 2020	Tranche 3 2019	Tranche 3 2020	Tranche 2 2019
Fair value of share options at the grant date (RM)	0.10	0.06	0.06	0.03
Weighted average ordinary share price (RM)	0.68	0.55	0.68	0.53
Exercise price of share option (RM)	0.86	0.86	1.03	1.03
Expected volatility (%)	39.08	38.39	39.09	38.39
Expected life (years)	2	3	2	3
Risk free rate (%)	2.72	3.84	2.72	3.84
Expected dividend yield (%)	1.80	5.78	1.80	6.21

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26. NON-CONTROLLING INTERESTS

Non-controlling interests, presented as part of equity, represent the portion of subsidiary's profit or loss and net assets not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parents and the non-controlling interests based on their respective ownership interests.

The movements in non-controlling interests in subsidiaries are as follows:-

	The Group	
	2020	2019
	RM	RM
At 1 June	4,508,810	4,324,051
Share of results attributable to non-controlling interests	233,270	184,759
At 31 May	4,742,080	4,508,810

27. BANK BORROWINGS

	The Group		The Company	
	2020	2019	2020	2019
Current	RM	RM	RM	RM
Secured:-				
Bank overdrafts (Note 45(c))	8,150,897	22,903,316	-	-
Bankers' acceptances	738,000	-	-	-
Revolving credits	86,110,000	72,700,000	-	5,500,000
Term loans (Note 28)	19,626,382	66,180,667	-	-
Hire purchase payables (Note 29)	-	6,659,615	-	-
	114,625,279	168,443,598	-	5,500,000
Non-current				
Secured:-				
Term loans (Note 28)	163,769,222	178,555,751	-	-
Hire purchase payables (Note 29)	-	13,265,546	-	-
	163,769,222	191,821,297	-	-
Total bank borrowings	278,394,501	360,264,895	-	5,500,000

The effective interest rates at the end of the reporting period for borrowings which bore interest at floating rates, were as follows:-

	The Group		The Company	
	2020	2019	2020	2019
	%	%	%	%
Bank overdrafts	6.82	5.16-7.82	-	-
Bankers' acceptances	4.60	-	-	-
Revolving credits	3.53-5.95	4.52-6.69	-	4.87

27. BANK BORROWINGS (CONT'D)

The bank borrowings except for term loans and hire purchase are secured by:-

(i) assignment of the contract proceeds;

(ii) corporate guarantees of the Company; and

(iii) deposits with licensed banks of the Group and the Company as disclosed in Note 22 to the financial statements.

28. TERM LOANS

	The Group	
	2020	2019
	RM	RM
Current liabilities (Note 27)	19,626,382	66,180,667
Non-current liabilities (Note 27)	163,769,222	178,555,751
Total term loans	183,395,604	244,736,418

Details of the term loans outstanding at the end of the reporting period are as follows:-

	The Group			
	Effective Interest Rate			
	2020	2019	2020	2019
Term Loan	%	%	RM	RM
I	4.72%	5.72%	12,375,000	16,087,500
II	6.25%	7.25%	2,725,616	2,860,061
III	4.97%	5.16%	65,625,000	70,000,000
IV	4.49%	5.43%	7,530,579	7,530,579
V	-	5.78%	-	12,134,564
VI	-	5.78%	-	21,926,775
VII	-	5.38%	-	19,000,000
VIII	7.00%	-	13,379,915	-
IX	3.62%	4.62%	611,412	680,581
X	4.47%	5.47%	38,437,468	44,999,968
XI	5.02%	5.42%	3,112,260	5,475,090
XII	12.50%	12.50%	39,598,354	44,041,300
			183,395,604	244,736,418

(a) Term loan I has a tenure of 147 months and is repayable by redemption of units sold or 20 quarterly instalments of RM618,750 each commencing on January 2022, whichever is earlier. The term loan is secured by:-

(i) a charge over a piece of leasehold land which is included in the property development costs of a subsidiary as disclosed in Note 12(b) to the financial statements; and

(ii) a corporate guarantee of the Company.

28. TERM LOANS (CONT'D)

(b) Term loan II has a tenure of 14 years and is repayable by redemption of units sold or 179 monthly instalments of RM27,917 each commencing on November 2017, whichever is earlier. The term loan is secured by:-

(i) a first legal assignment or upon issuance of strata/individuals title, first party legal charge over the retail shop offices at Jentayu Residensi as disclosed in Note 12(c) to the financial statements;

(ii) a debenture over the fixed and floating assets of a subsidiary;

(iii) an assignment over the rental proceeds and/or sale proceeds from the Shop Offices; and

(iv) a corporate guarantee of the Company.

(c) Term loan III has a tenure of 120 months and is repayable by one quarterly principal payment of RM4,375,000 million on January 2020 and by redemption of units sold or 48 quarterly principal payments of RM1,368,000 each commencing on January 2022, whichever is earlier.

Term loan IV has a tenure of 84 months and is repayable by 47 monthly principal payments of RM230,000 each with one final month's principal repayment of RM190,000 commencing on November 2020.

The term loans are secured by:-

(i) a charge over a piece of freehold land which is included in the property development costs of a subsidiary as disclosed in Note 12(b) to the financial statements; and

(ii) a corporate guarantee of the Company.

(d) Term loan V has a tenure of 3.5 years and is repayable by redemption of units sold or by way of 17 monthly instalments of RM1,110,000 each and a final instalment of RM1,130,000 commencing on April 2020, whichever is earlier.

The term loan VI has a tenure of 3.5 years and is repayable by redemption of units sold or by way of 17 monthly instalments of RM1,940,000 each and a final instalment of RM2,020,000 commencing on November 2019, whichever is earlier.

The term loans are secured by:-

(i) a debenture over all present and future assets of a subsidiary;

(ii) an assignment of sales proceeds from the projects developed by a subsidiary; and

(iii) a corporate guarantee of the Company.

The term loan V and VI ware fully repaid during the financial year.

28. TERM LOANS (CONT'D)

(e) Term loan VII has a tenure of 7 years and is repayable by redemption of units sold or by way of 59 monthly instalments of RM316,600 each and a final instalment of RM320,600 commencing on November 2020, whichever is earlier. The term loan is secured by:-

(i) a third party legal charge on the leasehold land which is included in the property development costs of a subsidiary as disclosed in Note 12(b) to the financial statements; and

(ii) a corporate guarantee of the Company.

The term loan was fully repaid during the financial year.

(f) Term loan VIII has a tenure of 8 years and is repayable by redemption of units sold or by way of 84 monthly instalments of RM201,939 each commencing on June 2020, whichever is earlier. The term loan is secured by:-

(i) a charge over 49 units of completed condominium which is included in the inventories of a subsidiary as disclosed in Note 12(c) to the financial statements;

(ii) a corporate guarantee of the Company; and

(iii) a debenture over the assets financed under the term loan.

(g) Term loan IX has a tenure of 20 years and is repayable by 240 monthly instalments of RM6,722 each commencing on January 2014. The term loan is secured by:-

(i) a charge over a piece of leasehold land and building which is included in the property, plant and equipment and right-of-use assets of a subsidiary as disclosed in Notes 9 and 10 to the financial statements;

(ii) a joint and several guarantee of all directors of a subsidiary; and

(iii) a corporate guarantee of the Company.

(h) Term loan X has a tenure of 6 years and is repayable by 48 monthly instalments of RM937,500 commencing on August 2019. The term loan is secured by:-

(i) a charge over leasehold lands which is included in the investment properties of a subsidiary as disclosed in Note 11 to the financial statements;

(ii) a corporate guarantee of the Company; and

(iii) a debenture over the assets financed under the term loan.

(i) Term loan XI has a tenure of 33 months and is extendable for another 36 months at the end of the repayment period. The term loan is repayable in 24 quarterly instalments of USD145,834 each commencing on October 2015. The term loan is secured by:-

(i) a corporate guarantee of the Company and subsidiary; and

(ii) a debenture over all the present and future assets of a subsidiary.

28. TERM LOANS (CONT'D)

(j) Term loan XII has a tenure of 120 months and is repayable in 32 quarterly step up principal instalments commencing on April 2018. The term loan is secured by:-

(i) a charge over the land, building and generator which is included in the concession assets of a subsidiary as disclosed in Note 8 to the financial statements;

(ii) an assignment of Power Purchase Agreement and receivable from Perusahaan Listrik Negara, Indonesia;

(iii) a specific debenture over the assets financed under the term loan; and

(iv) a corporate guarantee of the Company.

29. HIRE PURCHASE PAYABLES

	The Group 2019 RM
Minimum hire purchase payments:	
- not later than one year	7,665,566
- later than one year and not later than five years	14,157,416
- later than five years	68,888
	21,891,870
Less: Future finance charges	(1,966,709)
Present value of hire purchase payables	19,925,161
Analysed by:-	
Current liabilities (Note 27)	6,659,615
Non-current liabilities (Note 27)	13,265,546
	19,925,161

The hire purchase payables have been represented as 'lease liabilities' as shown in Note 30 to the financial statement following the application of MFRS 16 by the Group using the modified retrospective approach.

In the previous financial year, the hire purchase payables of the Group:-

(a) bore effective interest rates ranging from 4.35% to 7.07% per annum. The interest rates were fixed at the inception of the hire purchase arrangements; and

(b) secured by the Group's plant and machinery and motor vehicles under finance leases as disclosed in Note 9 to the financial statements. The hire purchase arrangements were expiring from 1 to 8 years.

30. LEASE LIABILITIES

	The Group 2020 RM
At 1 June 2019 (as previously reported)	-
Initial application of MFRS 16	19,925,161
At 1 June 2019 (as restated)	19,925,161
Additions during the financial year	361,700
Interest expense recognised in profit or loss	900,901
Repayment of principal	(9,629,241)
Repayment of interest expense	(900,901)
At 31 May 2020	10,657,620
Analysed by:-	
Current liabilities	4,947,372
Non-current liabilities	5,710,248
	10,657,620

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

Certain lease liabilities of the Group are secured by the Group's plant and machinery and motor vehicles under the hire purchase arrangements as disclosed in Note 10 to the financial statements, with lease terms ranging from 3 to 9 years and bear effective interest rates ranging from 4.20% to 7.07% per annum.

31. DEFINED BENEFIT OBLIGATIONS

Foreign subsidiaries in Indonesia operate an unfunded defined benefit obligations for its eligible employees in accordance with Republic of Indonesia Labour Law.

Movement in the net liability recognised in the statements of financial position:-

	The Group	
	2020 RM	2019 RM
At 1 June	2,573,653	2,507,459
Benefits paid for unfunded plans	(21,357)	(92,966)
Expense recognised in profit or loss (Note 38)	454,941	407,737
Actuarial loss recognised in other comprehensive income	(203,724)	(318,608)
Foreign exchange difference	29,401	70,031
At 31 May	2,832,914	2,573,653

The expenses recognised in profit or loss were analysed as follows:-

	The Group	
	2020 RM	2019 RM
Service cost	236,925	219,678
Interest cost	218,016	188,059
Total cost incurred during the financial year	454,941	407,737

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31. DEFINED BENEFIT OBLIGATIONS (CONT'D)

The principal actuarial assumptions used in respect of the Group's unfunded defined benefit plan were as follows:-

	The Group	
	2020	**2019**
Normal retirement age	55 years	55 years
Future salary increment rate	9% p.a.	9% p.a.
Discount rate	8.00% p.a.	8.50% p.a.

32. TRADE AND NON-TRADE PAYABLES

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Trade payables	32,153,731	43,692,439	-	-
Retention payable	64,597,443	49,768,658	-	-
Accrued subcontractor work and materials	70,574,313	103,534,866	-	-
Trade payables, net	167,325,487	196,995,963	-	-
Non-trade payables	135,028,297	136,929,363	14,517	21,483
Land proprietor's entitlement	223,366,118	219,631,301	-	-
Other accruals	47,263,145	47,281,154	241,870	352,490
Deposits	803,862	788,860	-	-
Amount owing to a director (Note 32(b))	651,783	651,783	-	-
Sales and service tax payables	9,950	24,437	-	-
	407,123,155	405,306,898	256,387	373,973
Less: Accretion of interest				
At 1 June	(223,977)	(379,251)	-	-
Addition:				
- amount owing to a director	47,486	155,274	-	-
At 31 May	(176,491)	(223,977)	-	-
Non-trade payables, net	406,946,664	405,082,921	256,387	373,973
Trade and non-trade payables	574,272,151	602,078,884	256,387	373,973

The maturities of trade and non-trade payables are as follows:-

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
Current:-	**RM**	**RM**	**RM**	**RM**
Payables within one year	399,049,106	402,278,007	256,387	373,973
Non-current:-				
Payables more than one year and less than five years	175,223,045	199,800,877	-	-
	574,272,151	602,078,884	256,387	373,973

32. TRADE AND NON-TRADE PAYABLES (CONT'D)

(a) Included in trade and non-trade payables of the Group are amounts owing to parties related to a director of the Company. Balances as at end of the reporting period are as follows:-

	The Group	
	2020	2019
Parties related to	**RM**	**RM**
Tan Sri Dato' Kok Onn:		
- Kok Khim Boon (brother)	7,149,254	1,612,592
- M Pro Garage Auto Specialist (connected person)	446	407

(b) Amount owing to Raja Zainal Abidin Bin Raja Hussin, a director of a subsidiary, is unsecured, interest free and repayable within the next three years.

(c) The normal trade credit terms granted to the Group range from 30 to 90 (2019 - 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

33. NET ASSETS PER ORDINARY SHARE

The net assets per ordinary share is calculated based on the net assets value of RM814,061,180 (2019 - RM733,835,882) attributable to ordinary shares divided by the number of ordinary shares in issue at the end of the reporting period of 728,060,995 (2019 - 661,720,995) shares.

34. REVENUE

	The Group		The Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Revenue from contracts with customers				
Construction contracts	491,797,922	479,235,027	-	-
Property development	156,136,554	184,917,094	-	-
Water concession	24,445,087	23,228,318	-	-
	672,379,563	687,380,439	-	-
Revenue from other sources				
Dividend income	-	-	11,800,000	16,000,000
Management fees	253,161	289,500	8,763,000	8,490,000
Rental income	423,722	22,971	-	-
	676,883	312,471	20,563,000	24,490,000
	673,056,446	687,692,910	20,563,000	24,490,000

The information on the disaggregation of revenue is disclosed in Note 47 to financial statements.

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35. COST OF SALES

Cost of sales represents cost of inventories sold, cost of services provided, contract costs, cost of development properties sold and cost of processing treated water.

The cost of sales included the following charges made during the financial year:-

	The Group	
	2020	2019
	RM	RM
Depreciation of property, plant and equipment (Note 9)	7,295,650	17,247,490
Depreciation of right-of-use assets (Note 10)	3,968,531	-
Employee benefits (Note 38)	39,324,716	43,754,342
Lease expenses:		
- rental of land and premises	1,278,283	1,426,517
- rental of plant and machinery	3,771	480
Gain on disposal of:		
- property, plant and equipment	(11,274)	-
- right-of-use assets	(29,267)	-
Interest expense on:		
- bank borrowings	2,672,256	1,867,452
- lease liabilities	760,638	-
Inventories written down	549,954	-

36. OTHER INCOME

	The Group		The Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Administrative fees	36,400	104,563	-	-
Accretion of interest on:				
- amount owing by subsidiaries	-	-	-	538,404
- trade and non-trade receivables	75,844	57,074	-	-
Bad debts recovered	1,235	-	-	-
Dividend received from short term funds	2,052,443	1,884,896	1,068,410	375,185
Fair value gain on short term funds	193,806	274,590	29,544	67,709
Gain on disposal of:				
- investment properties	874,140	-	-	-
- property, plant and equipment	2,876,646	2,001,100	-	-
- right-of-use assets	127,393	-	-	-
Interest income	4,393,472	4,690,086	6,367,956	5,887,282
Miscellaneous income	1,002,654	2,319,559	21,461	10,629
Realised gain on foreign exchange	-	-	8,856	-
Rental income	163,200	3,375,849	-	-
Sales of scrap iron	390,437	398,939	-	-
Unrealised gain on foreign exchange	519,324	720,951	404,719	-
	12,706,994	15,827,607	7,900,946	6,879,209

37. PROFIT BEFORE TAXATION

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit before taxation is arrived:-				
After charging/(crediting):-				
Accretion of interest on amount owing to a director	47,486	155,274	-	-
Auditors' remuneration:				
- auditors of the Company:				
- current financial year	402,000	422,000	78,000	87,000
- overprovision in the previous financial year	(10,000)	-	(10,000)	-
- other auditors	123,322	148,076	-	-
Bad debts written off	26,000	47,974	-	-
Deposit written off	500	-	-	-
Depreciation of:				
- concession assets (Note 8)	2,628,096	2,514,282	-	-
- investment properties (Note 11)	904,660	876,490	-	-
- property, plant and equipment (Note 9)	2,018,195	2,516,492	70,585	60,257
- right-of-use assets (Note 10)	766,407	-	-	-
Employee benefits (Note 38)	30,029,903	26,128,744	8,237,652	7,900,872
Fair value loss on quoted investment	6,400,000	4,800,000	6,400,000	4,800,000
Impairment loss on:				
- goodwill (Note 14)	-	5,889	-	-
- investment properties (Note 11)	50,492	-	-	-
- trade and non-trade receivables	294,115	153,333	-	-
Property, plant and equipment written off	54,133	169,311	440	11,389
Realised loss on foreign exchange	131,466	161,325	-	201,109
Rental of office	559,400	550,463	242,708	314,849
Unrealised loss on foreign exchange	-	-	-	582,506

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38. EMPLOYEE BENEFITS

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Salaries and other benefits	62,481,277	63,913,141	7,323,600	7,126,439
Contributions to:				
- defined contribution plan	4,965,619	4,756,966	616,616	595,668
- defined benefit obligations (Note 31)	454,941	407,737	-	-
- share option expenses	1,452,782	805,242	1,452,782	805,242
- share option expenses charged to subsidiaries	-	-	(1,155,346)	(626,477)
	69,354,619	69,883,086	8,237,652	7,900,872

Employee benefits are allocated as follows:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cost of sales (Note 35)	39,324,716	43,754,342	-	-
Administrative expenses (Note 37)	30,029,903	26,128,744	8,237,652	7,900,872
	69,354,619	69,883,086	8,237,652	7,900,872

Included in employee benefits of the Group and of the Company are executive directors' remuneration amounting to RM8,947,157 (2019 - RM8,548,568) and RM2,228,821 (2019 - RM2,177,705) respectively as further disclosed in Note 39 to the financial statements.

39. DIRECTORS' REMUNERATION AND KEY MANAGEMENT PERSONNEL COMPENSATION

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors of the Company				
Executive:-				
Salaries and other emoluments	2,023,973	2,031,911	2,023,973	2,031,911
Defined contribution plan	67,158	63,180	67,158	63,180
Share option expenses	137,690	82,614	137,690	82,614
	2,228,821	2,177,705	2,228,821	2,177,705
Non-executive:-				
Director fees	240,000	240,000	240,000	240,000
Other emoluments	87,000	90,000	87,000	90,000
Share option expenses	18,630	11,178	18,630	11,178
	345,630	341,178	345,630	341,178
	2,574,451	2,518,883	2,574,451	2,518,883

39. Directors' Remuneration And Key Management Personnel Compensation (Cont'd)

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors of the subsidiaries				
Executive:-				
Salaries and other emoluments	5,440,393	5,380,156	-	-
Director fees	252,802	183,479	-	-
Defined contribution plan	441,517	459,762	-	-
Share option expenses	583,624	347,466	-	-
	6,718,336	6,370,863	-	-
Total directors' remuneration	9,292,787	8,889,746	2,574,451	2,518,883
Benefits-in-kind	218,919	487,324	66,700	238,813
Total directors' remuneration including benefits-in-kind	9,511,706	9,377,070	2,641,151	2,757,696
Key Management Personnel				
Salaries and other emoluments	5,843,975	3,950,143	1,782,301	1,341,892
Defined contribution plan	678,513	440,927	193,181	148,252
Share option expenses	318,108	184,635	180,956	106,089
	6,840,596	4,575,705	2,156,438	1,596,233
Benefits-in-kind	103,605	111,892	-	52,381
Total key management personnel compensation including benefits-in-kind	6,944,201	4,687,597	2,156,438	1,648,614

40. Finance Costs

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Bank borrowing interest	4,061,050	4,680,723	22,015	63,000
Hire purchase interest	-	192,439	-	-
Interest expenses on lease liabilities	140,263	-	-	-
	4,201,313	4,873,162	22,015	63,000

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41. INCOME TAX EXPENSE

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Income tax:				
- Malaysian income tax	29,355,876	22,216,019	1,457,325	1,376,018
- Foreign tax	3,092,562	2,461,678	-	-
	32,448,438	24,677,697	1,457,325	1,376,018
Under/(over) provision in the previous financial year:				
- Malaysian income tax	161,736	5,538,284	5,574	841,186
- Foreign tax	(45,611)	-	-	-
	32,564,563	30,215,981	1,462,899	2,217,204
Deferred taxation (Note 15):				
- for the financial year	(9,102,871)	(1,543,836)	9,062	-
- under/(over) provision in the previous financial year	216,341	(1,090,490)	40,380	-
	(8,886,530)	(2,634,326)	49,442	-
	23,678,033	27,581,655	1,512,341	2,217,204

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit before tax	59,332,400	71,722,593	11,176,305	15,254,594
Tax at Malaysian tax rate of 24%	14,239,776	17,213,422	2,682,313	3,661,103
Non-deductible expenses	9,386,997	6,424,196	1,789,529	1,598,324
Non-taxable income	(1,738,836)	(776,996)	(3,005,455)	(3,756,192)
Deferred tax assets not recognised	1,580,689	1,046,052	-	-
Share of results of joint ventures	274,330	(224,444)	-	-
Utilisation of deferred tax assets previously not recognised	-	-	-	(127,217)
Differential in tax rate	(397,389)	(548,369)	-	-
	23,345,567	23,133,861	1,466,387	1,376,018
Underprovision of income tax in the previous year	116,125	5,538,284	5,574	841,186
Under/(Over) provision of deferred tax in the previous financial year	216,341	(1,090,490)	40,380	-
Income tax expense for the financial year	23,678,033	27,581,655	1,512,341	2,217,204

41. INCOME TAX EXPENSE (CONT'D)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019 - 24%) of the estimated assessable profit for the financial year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

42. EARNINGS PER SHARE

	The Group	
	2020	**2019**
Profit after taxation attributable to owners of the Company (RM)	35,463,337	44,060,771
Weighted average number of ordinary shares during the year	725,868,929	661,720,995
Basic earnings per ordinary share (sen)	4.89	6.66

The basic earnings per share of the Group is calculated by dividing the Group's profit after tax attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2020	**2019**
Profit after taxation attributable to owners of the Company (RM)	35,463,337	44,060,771
Weighted average number of ordinary shares during the year	725,868,929	661,720,995
Effect of dilution:		
- exercise of Warrants 2016/2021*	-	-
- exercise of ESOS*	-	-
Weighted average number of ordinary shares during the year	725,868,929	661,720,995
Diluted earnings per share (sen)	4.89	6.66

* The potential conversion of warrants and ESOS are anti-dilutive as their exercise prices are higher than the average market price of the Company's ordinary shares during the current financial year. Accordingly, the exercise of warrants and ESOS have been ignored in the calculation of dilutive earnings per share.

43. ACQUISITION OF SUBSIDIARIES

(a) On 5 December 2019, the Company's wholly-owned subsidiary, Gadang Engineering (M) Sdn Bhd completed its acquisition of 100% equity interest representing 250,000 ordinary shares in Yi Sheng Foundation Pte Ltd ("Yi Sheng") for a total cash consideration of SGD1,800,000 (equivalent to RM5,532,030). As a result of the acquisition, Yi Sheng became an indirect wholly-owned subsidiary of the Company:-

	The Group 2020 RM
Property, plant and equipment	4,383,342
Cash and bank balances	646,513
Other receivables	125,766
Other payables	(4,801,105)
Current tax liabilities	(263,152)
Deferred tax liabilities	(6,382)
Net identifiable assets acquired	84,982
Add: Goodwill on acquisition (Note 14)	5,447,048
Total purchase consideration, to be settled by cash	5,532,030
Less: Cash and bank balances of a subsidiary acquired	(646,513)
Net cash outflow for the acquisition of a subsidiary	4,885,517

(b) On 28 August 2018, the Company's wholly-owned subsidiary, Gadang Land Sdn Bhd acquired 2 ordinary shares, representing 100% of the total issued capital of Special Courtyard Sdn Bhd ("Special Courtyard") for a total cash consideration of RM2. As a result of the acquisition, Special Courtyard became an indirect wholly-owned subsidiary of the Company. The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:-

	The Group 2019 RM
Cash in hand	2
Other payables	(5,889)
Net identifiable assets acquired	(5,887)
Add: Goodwill on acquisition (Note 14)	5,889
Total purchase consideration, to be settled by cash	2

44. DIVIDENDS

	The Company	
	2020 RM	2019 RM
First and final dividend of 1.2 sen per ordinary share in respect of the financial year ended 31 May 2019	8,736,732	-
First and final dividend of 3 sen per ordinary share in respect of the financial year ended 31 May 2018	-	19,851,630

The directors propose a first and final dividend of 1 sen per share in respect of the financial year ended 31 May 2020 to be approved by the shareholders at the forthcoming Annual General Meeting. This dividend will be accounted for as an appropriation of retained profits in the period when it is approved by the shareholders.

45. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment and right-of-use assets are as follows:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Property, plant and equipment				
Cost of property, plant and equipment purchased	2,955,382	13,613,043	125,176	41,728
Less: Amount financed through hire purchase	-	(1,663,501)	-	-
	2,955,382	11,949,542	125,176	41,728
Right-of-use assets				
Cost of right-of-use assets acquired	416,006	-	-	-
Less: Addition of new lease liabilities	(361,700)	-	-	-
	54,306	-	-	-

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45. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliation of liabilities arising from financing activities are as follows:-

	Revolving Credits RM	Bankers' Acceptance RM	Hire Purchase Payables RM	Lease Liabilities RM	Term Loans RM	Total RM
The Group						
2020						
At 1 June 2019 (as previously reported)	72,700,000	-	19,925,161	-	244,736,418	337,361,579
Initial application of MFRS 16	-	-	(19,925,161)	19,925,161	-	-
At 1 June 2019 (as restated)	72,700,000	-	-	19,925,161	244,736,418	337,361,579
Changes in Financing Cash Flows						
Proceeds from drawdown	79,190,000	11,070,000	-	-	17,800,000	108,060,000
Acquisition of new lease	-	-	-	361,700	-	361,700
Repayment of bank borrowings	(65,780,000)	(10,332,000)	-	-	(79,782,098)	(155,894,098)
Repayment of lease liabilities	-	-	-	(9,629,241)	-	(9,629,241)
Foreign exchange difference	-	-	-	-	641,284	641,284
Repayment of interest	(2,910,307)	(171,858)	-	(900,901)	(2,344,026)	(6,327,092)
Non-cash Changes						
Finance charges recognised in profit or loss	2,910,307	171,858	-	900,901	2,344,026	6,327,092
At 31 May	86,110,000	738,000	-	10,657,620	183,395,604	280,901,224

45. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliation of liabilities arising from financing activities are as follows:- (Cont'd)

	Revolving Credits RM	Trust Receipts RM	Hire Purchase Payables RM	Term Loans RM	Total RM
The Group					
2019					
At 1 June	34,999,000	169,000	29,574,791	210,341,786	275,084,577
Changes in Financing Cash Flows					
Proceeds from drawdown	52,200,000	-	-	63,974,819	116,174,819
New hire purchase	-	-	1,663,501	-	1,663,501
Repayment of bank borrowings	(14,499,000)	(169,000)	-	(29,224,320)	(43,892,320)
Repayment of hire purchase payables	-	-	(11,313,131)	-	(11,313,131)
Foreign exchange difference	-	-	-	(355,867)	(355,867)
Repayment of borrowing interest	(1,347,156)	(3,092)	(1,528,724)	(3,134,477)	(6,013,449)
Non-cash Changes					
Finance charges recognised in profit or loss	1,347,156	3,092	1,528,724	3,134,477	6,013,449
At 31 May	72,700,000	-	19,925,161	244,736,418	337,361,579

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For The Financial Year Ended 31 May 2020

45. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliation of liabilities arising from financing activities are as follows (Cont'd):-

The Company	Revolving Credits RM
2020	
At 1 June	5,500,000
Changes in Financing Cash Flows	
Repayment of bank borrowings	(5,500,000)
Repayment of interest	(22,015)
Non-cash Changes	
Finance charges recognised in profit or loss	22,015
At 31 May	-
2019	
At 1 June	-
Changes in Financing Cash Flows	
Proceeds from drawdown	15,000,000
Repayment of bank borrowings	(9,500,000)
Repayment of interest	(63,000)
Non-cash Changes	
Finance charges recognised in profit or loss	63,000
At 31 May	5,500,000

(c) The cash and cash equivalents comprise the following:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Short term funds	94,876,316	33,130,408	25,752,648	1,854,695
Deposits with licensed banks	101,609,741	98,414,401	11,978,395	11,671,692
Cash and bank balances	106,340,321	85,330,295	18,546,990	4,559,788
Bank overdrafts (Note 27)	(8,150,897)	(22,903,316)	-	-
	294,675,481	193,971,788	56,278,033	18,086,175
Less: Fixed deposits pledged as security values (Note 22)	(81,548,266)	(68,376,978)	(11,978,395)	(11,671,692)
Cash and cash equivalents	213,127,215	125,594,810	44,299,638	6,414,483

46. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, joint ventures, key management personnel and entities within the same group of companies.

Key management personnel are defined as those having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company include Executive Directors and Non-Executive Directors and certain members of senior management of the Group and of the Company.

(b) Related party transactions

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Subsidiaries				
Accretion of interest on amount owing by subsidiaries	-	-	-	538,404
Advances to subsidiaries	-	-	(13,725,468)	(5,630,000)
Gross dividend income	-	-	11,800,000	16,000,000
Interest income received/ receivable	-	-	6,009,743	5,516,671
Management fee received/ receivable	-	-	8,763,000	8,490,000
Payment on behalf	-	-	(45,862)	(358,809)
Rental expense - land and building	-	-	(242,708)	(314,849)
Related parties				
Subcontractor work payable to - Kok Khim Boon (i)	(22,228,078)	(13,898,116)	-	-
Repair motor vehicles from - M Pro Garage Auto Specialist (ii)	(8,507)	(8,319)	-	-
Training fees paid or payable to a company in which a director of the Company is a member	(6,000)	(12,000)	(6,000)	(12,000)

46. RELATED PARTY DISCLOSURES (CONT'D)

(b) Related party transactions (Cont'd)

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Joint ventures				
Management fee received/ receivable	253,161	288,000	-	-
Subcontractor work received	6,178,567	26,716	-	-

The above parties deemed related to the Group as follows:-

(i) Tan Sri Dato' Kok Onn's brother.

(ii) M Pro Garage Auto Specialist is a company wholly-owned by persons connected to Tan Sri Dato' Kok Onn.

47. OPERATING SEGMENTS

BUSINESS SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

The following are the Group's main business segments:-

(i)	Construction division	–	civil engineering works encompassing earthworks, infrastructure works, hospital and mechanical & electrical works;
(ii)	Property division	–	the development of residential and commercial properties;
(iii)	Utility division	–	construction, maintenance and management of water and power supply facilities; and
(iv)	Investment holding and others	–	investment activities and provision of management services.

47. OPERATING SEGMENTS (CONT'D)

The Group	Construction division RM	Property division RM	Utility division RM	Investment holding and others RM	Group RM
2020					
Total revenue	492,474,805	156,795,156	24,445,087	20,563,000	694,278,048
Less: Inter-segment revenue	-	(658,602)	-	(20,563,000)	(21,221,602)
Revenue from external customers	492,474,805	156,136,554	24,445,087	-	673,056,446
Represented by revenue recognised:					
- over time	491,797,922	130,084,490	-	-	621,882,412
- at a point of time	676,883	26,052,064	24,445,087	-	51,174,034
	492,474,805	156,136,554	24,445,087	-	673,056,446
Results					
Segment results	36,919,129	38,078,941	5,118,897	(15,440,209)	64,676,758
Finance costs	(2,060,062)	(1,904,110)	(215,126)	(22,015)	(4,201,313)
Share of results in joint ventures	(1,143,045)	-	-	-	(1,143,045)
Profit/(Loss) before taxation	33,716,022	36,174,831	4,903,771	(15,462,224)	59,332,400
Income tax expense					(23,678,033)
Profit after taxation					**35,654,367**
Non-controlling interests					**(191,030)**
Net profit attributable to owners					**35,463,337**

Notes to the Financial Statements

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47. OPERATING SEGMENTS (CONT'D)

The Group	Construction division RM	Property division RM	Utility division RM	Investment holding and others RM	Group RM
2020					
Segment assets	485,882,568	1,039,390,062	178,110,779	75,762,973	1,779,146,382
Segment liabilities	271,904,269	632,757,960	54,882,405	798,488	960,343,122
Other information:-					
- Depreciation and amortisation	14,145,137	668,865	2,689,271	78,266	17,581,539
- Capital expenditure	2,894,523	450,789	17,502,564	125,176	20,973,052

47. OPERATING SEGMENTS (CONT'D)

The Group	Construction division RM	Property division RM	Utility division RM	Investment holding and others RM	Group RM
2019					
Total revenue	479,545,998	185,643,170	23,228,318	24,490,000	712,907,486
Less: Inter-segment revenue	-	(724,576)	-	(24,490,000)	(25,214,576)
Revenue from external customers	479,545,998	184,918,594	23,228,318	-	687,692,910
Represented by revenue recognised:					
- over time	479,235,027	160,608,019	-	-	639,843,046
- at a point of time	310,971	24,310,575	23,228,318	-	47,849,864
	479,545,998	184,918,594	23,228,318	-	687,692,910
Results					
Segment results	42,757,515	40,953,667	7,345,394	(15,396,005)	75,660,571
Finance costs	(2,752,932)	(1,716,466)	(340,764)	(63,000)	(4,873,162)
Share of results in joint ventures	935,184	-	-	-	935,184
Profit/(Loss) before taxation	40,939,767	39,237,201	7,004,630	(15,459,005)	71,722,593
Income tax expense					(27,581,655)
Profit after taxation					**44,140,938**
Non-controlling interests					**(80,167)**
Net profit attributable to owners					**44,060,771**

Notes to the Financial Statements

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47. Operating Segments (Cont'd)

The Group	Construction division RM	Property division RM	Utility division RM	Investment holding and others RM	Group RM
2019					
Segment assets	506,678,321	1,056,346,383	178,934,994	43,683,400	1,785,643,098
Segment liabilities	306,140,138	670,986,367	62,902,715	7,269,186	1,047,298,406
Other information:-					
- Depreciation and amortisation	19,797,650	669,201	2,619,965	67,938	23,154,754
- Capital expenditure	13,477,416	159,191	8,826,879	267,986	22,731,472

47. OPERATING SEGMENTS (CONT'D)

GEOGRAPHICAL INFORMATION

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. The Group's three business segments operate in three main geographical areas:-

(i) Malaysia - the operations in this area are principally civil engineering and construction works, mechanical & electrical works, property development and investment holding.

(ii) Indonesia - the operations in this area are principally water concessions and power concession.

(iii) Singapore - the operations in this area are principally bore pile works.

	Total revenue from external customers RM	Segment assets RM	Capital expenditure RM
2020			
Malaysia	648,449,592	1,598,442,736	1,706,383
Indonesia	24,445,087	174,326,533	17,497,294
Singapore	161,767	6,377,113	1,769,375
	673,056,446	1,779,146,382	20,973,052
2019			
Malaysia	664,464,592	1,611,671,126	13,953,256
Indonesia	23,228,318	173,971,972	8,778,216
	687,692,910	1,785,643,098	22,731,472

The information on the disaggregation of revenue based on geographical region is summarised below:-

	At a Point of Time		Over Time		The Group	
	2020 RM	2019 RM	2020 RM	2019 RM	2020 RM	2019 RM
Malaysia	26,567,180	24,621,546	621,882,412	639,843,046	648,449,592	664,464,592
Indonesia	24,445,087	23,228,318	-	-	24,445,087	23,228,318
Singapore	161,767	-	-	-	161,767	-
	51,174,034	47,849,864	621,882,412	639,843,046	673,056,446	687,692,910

47. OPERATING SEGMENTS (CONT'D)

GEOGRAPHICAL INFORMATION (CONT'D)

MAJOR CUSTOMERS

The following are major customers from Construction Division with revenue equal to or more than 10% of Group revenue:-

	Revenue		Segment
	2020 RM	2019 RM	
Customer A	235,184,676	299,090,282	Construction
Customer B	89,241,681	68,834,469	Construction
Customer C	98,807,792	84,963,026	Construction
	423,234,149	452,887,777	

48. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	The Group	
	2020 RM	2019 RM
Indonesian Rupiah	0.000297	0.000294
Singapore Dollar	3.0772	-
United States Dollar	4.3757	4.1988

49. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

49.1 Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia ("RM"). The currencies giving rise to this risk are primarily Indonesian Rupiah ("IDR") and Singapore Dollar ("SGD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

As at the end of the reporting period, the Group and the Company had IDR, SGD and USD denominated net financial assets/(liabilities).

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The effects to the Group's and the Company's profit after taxation and other comprehensive income if the IDR, SGD and USD had strengthened/weakened by 5% against RM are as follows:-

Foreign Currency Exposure

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Net financial (liabilities)/ assets denominated in IDR	(19,791,211)	(10,560,996)	1,630,454	3,198,002
Effects on Profit After Taxation/ Other Comprehensive Income				
IDR/RM				
Strengthened by 5%	(752,066)	(401,318)	61,957	121,524
Weakened by 5%	752,066	401,318	(61,957)	(121,524)

	The Group	
	2020 RM	2019 RM
Net financial liabilities denominated in USD	(3,112,260)	(5,475,090)
Effects on Profit After Taxation/ Other Comprehensive Income		
USD/RM		
Strengthened by 5%	(118,266)	(208,053)
Weakened by 5%	118,266	208,053
Net financial assets denominated in SGD	698,555	-
Effects on Profit After Taxation/ Other Comprehensive Income		
SGD/RM		
Strengthened by 5%	26,545	-
Weakened by 5%	(26,545)	-

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as in defined MFRS 7 since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 27 and 28 to the financial statements.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rate as at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Effects on Profit After Taxation/ Other Comprehensive Income				
Increase of 10 basis points	(211,019)	(258,658)	-	(4,180)
Decrease of 10 basis points	211,019	258,658	-	4,180

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risk by maintaining a portfolio of equities with different risk profiles.

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(iii) Equity Price Risk (Cont'd)

Equity Price Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the prices of the quoted investments at the end of the reporting period, with all other variables held constant:-

	The Group/The Company	
	2020	2019
	RM	RM
Effects on Profit After Taxation/ Other Comprehensive Income		
Increase of 5%	258,400	501,600
Decrease of 5%	(258,400)	(501,600)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and non-trade receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by 2 customers which constituted approximately 58% (2019 - 57%) of its trade receivables as at the end of the reporting period.

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables (including related parties) at the end of the reporting period is as follows:-

	The Group	
	2020	2019
	RM	RM
Malaysia	229,091,748	295,026,421
Indonesia	2,793,230	2,125,860
	231,884,978	297,152,281

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost and contract assets are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

Trade Receivables and Contract Assets

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

For certain large customers or customers with a high risk of default, the Group assesses the risk of loss of each customer individually based on their financial information, past trends of payments an external credit rating, where applicable.

Also, the Group considers any receivables having financial difficulty or with significant balances outstanding for more than a year, are deemed credit impaired and assesses for their risk of loss individually.

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

The expected loss rates are based on the payment profiles of sales from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

For construction contracts, the Group assessed the expected credit loss of each customer individually based on their financial information and past trends of payments as there are only a few customers. All of these customers have low risk of default as they have a strong capacity to meet their debts.

For property development, purchasers are generally financed by loan facilities from reputable financiers. In addition, the credit risk is limited as the ownership and rights to the properties sold will revert to the Group in the event of default, and the products do not suffer from physical, technological and fashion obsolescence. Therefore, there is minimal exposure to credit risk from its property development activities.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:-

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
2020				
Current (not past due)	43,357,759	-	-	43,357,759
Less than 3 months past due	18,068,501	-	-	18,068,501
More than 6 months past due	12,915,944	-	-	12,915,944
More than 1 year past due	208,124	-	-	208,124
	74,550,328	-	-	74,550,328
Credit impaired:				
- individually impaired	-	-	-	-
Trade receivables	74,550,328	-	-	74,550,328
Contract assets	157,334,650	-	-	157,334,650
	231,884,978	-	-	231,884,978

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
2019				
Current (not past due)	42,574,558	-	-	42,574,558
Less than 3 months past due	32,210,975	-	-	32,210,975
More than 6 months past due	6,499,400	-	-	6,499,400
More than 1 year past due	569,216	-	-	569,216
	81,854,149	-	-	81,854,149
Credit impaired:				
- individually impaired	-	-	-	-
Trade receivables	81,854,149	-	-	81,854,149
Contract assets	215,298,132	-	-	215,298,132
	297,152,281	-	-	297,152,281

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Notes 17 and 20 to the financial statements respectively.

Other Receivables

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables. Under this approach, the Group assesses whether there is a significant increase in credit risk on the receivables by comparing their risk of default as at the reporting date with the risk of default as at the date of initial recognition based on available reasonable and supportable forward-looking information. Regardless of the assessment, a significant increase in credit risk is presumed if a receivable is more than 30 days past due in making a contractual payment.

The Group considers a receivable is credit impaired when the receivable is in significant financial difficulty, for instances, the receivable is in breach of financial covenants or insolvent. Receivables that are credit impaired are assessed individually while other receivables are assessed on a collective basis.

Based on the assessment performed, the identified impairment loss was immaterial and hence, it is not provided for.

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Amount Owing By Subsidiaries

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these loans and advances individually using internal information available.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for amount owing by subsidiaries are summarised below:-

The Company	Gross Amount RM	Lifetime Loss Allowance RM	Carrying Amount RM
2020			
Low credit risk	207,205,487	-	207,205,487
2019			
Low credit risk	200,952,331	-	200,952,331

No expected credit loss is recognised on amount owing by subsidiaries as it is negligible.

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Financial Guarantee Contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Effective interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 - 5 years RM	Over 5 years RM
2020						
Non-derivative Financial Liabilities						
Trade and non-trade payables	-	573,458,339	681,423,650	436,245,093	175,412,311	69,766,246
Bank overdrafts	6.82	8,150,897	8,150,897	8,150,897	-	-
Bankers' acceptance	4.60	738,000	738,000	738,000	-	-
Revolving credits	3.53-5.95	86,110,000	86,594,127	86,594,127	-	-
Lease liabilities	4.20-7.07	10,657,620	11,409,570	5,414,697	5,951,002	43,871
Term loans	3.62-12.50	183,395,604	220,078,044	30,839,949	164,092,947	25,145,148
		862,510,460	1,008,394,288	567,982,763	345,456,260	94,955,265

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):- (Cont'd)

The Group 2019	Effective interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 - 5 years RM	Over 5 years RM
Non-derivative Financial Liabilities						
Trade and non-trade payables	-	601,265,587	697,783,359	415,293,921	176,274,860	106,214,578
Bank overdrafts	5.16-7.82	22,903,316	22,903,316	22,903,316	-	-
Revolving credits	4.52-6.69	72,700,000	73,236,929	73,236,929	-	-
Hire purchase payables	4.35-7.07	19,925,161	21,891,870	7,665,566	14,157,416	68,888
Term loans	4.62-12.50	244,736,418	284,850,159	79,071,887	182,856,777	22,921,495
		961,530,482	1,100,665,633	598,171,619	373,289,053	129,204,961

49. FINANCIAL INSTRUMENTS (CONT'D)

49.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):- (Cont'd)

The Company	Effective interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 - 5 years RM	Over 5 years RM
2020						
Non-derivative Financial Liabilities						
Trade and non-trade payables	-	256,387	256,387	256,387	-	-
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	-	-	556,389,302	556,389,302	-	-
2019						
Non-derivative Financial Liabilities						
Trade and non-trade payables	-	373,973	373,973	373,973	-	-
Revolving credits	4.87	5,500,000	5,522,015	5,522,015	-	-
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	-	-	619,828,536	619,828,536	-	-

49. FINANCIAL INSTRUMENTS (CONT'D)

49.2 Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. The net debt is calculated as total interest bearing borrowings from financial institutions less short term funds, deposits with licensed banks and cash and bank balances. Total equity includes equity attributable to the owners of the parent and non-controlling interests. The debt-to-equity ratio of the Group and of the Company at the end of the reporting period was as follows:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Total interest bearing financial liabilities	289,052,121	360,264,895	-	5,500,000
Less:				
Short term funds	(94,876,316)	(33,130,408)	(25,752,648)	(1,854,695)
Deposits with licensed banks	(101,609,741)	(98,414,401)	(11,978,395)	(11,671,692)
Cash and bank balances	(106,340,321)	(85,330,295)	(18,546,990)	(4,559,788)
Net (cash)/debt	(13,774,257)	143,389,791	(56,278,033)	(12,586,175)
Total equity	818,803,260	738,344,692	418,456,637	364,979,703
Debt-to-equity	Not applicable	0.19	Not applicable	Not applicable

49. FINANCIAL INSTRUMENTS (CONT'D)

49.3 Classification of Financial Instruments

	The Group		The Company	
	2020	2019	2020	2019
Financial Assets	RM	RM	RM	RM
Mandatorily at Fair Value through Profit or Loss				
Quoted investment (Note 13)	6,800,000	13,200,000	6,800,000	13,200,000
Short term funds	94,876,316	33,130,408	25,752,648	1,854,695
	101,676,316	46,330,408	32,552,648	15,054,695
Designated at Fair Value through Other Comprehensive Income upon Initial Recognition				
Unquoted investment (Note 13)	-	100,000	-	-
Amortised Cost				
Trade and non-trade receivables	127,175,358	151,626,544	207,219,838	200,988,253
Deposits with licensed banks	101,609,741	98,414,401	11,978,395	11,671,692
Cash and bank balances	106,340,321	85,330,295	18,546,990	4,559,788
	335,125,420	335,371,240	237,745,223	217,219,733
Financial Liabilities				
Amortised Cost				
Trade and non-trade payables	(573,458,339)	(601,265,587)	(256,387)	(373,973)
Bank borrowings	(278,394,501)	(360,264,895)	-	(5,500,000)
Lease liabilities	(10,657,620)	-	-	-
	(862,510,460)	(961,530,482)	(256,387)	(5,873,973)

49.4 Gain or Losses Arising from Financial Instruments

	The Group		The Company	
	2020	2019	2020	2019
Financial Assets	RM	RM	RM	RM
Fair Value through Profit or Loss				
Net losses recognised in profit or loss	(4,153,751)	(2,640,514)	(5,302,046)	(4,357,106)
Amortised Cost				
Net gains recognised in profit or loss	4,150,436	4,545,853	6,367,956	6,425,686
Financial Liabilities				
Amortised Cost				
Net losses recognised in profit or loss	(7,681,693)	(6,895,888)	(22,015)	(63,000)

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49. FINANCIAL INSTRUMENTS (CONT'D)

49.5 Fair Value Information

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
The Group 2020	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**RM**	**RM**
Financial Assets								
Other investments:								
- quoted	6,800,000	-	-	-	-	-	6,800,000	6,800,000
Short term funds	94,876,316	-	-	-	-	-	94,876,316	94,876,316
Financial Liabilities								
Land proprietor's entitlement	-	-	-	-	-	223,366,118	223,366,118	223,366,118
Term loans	-	-	-	-	183,395,604	-	183,395,604	183,395,604

49. FINANCIAL INSTRUMENTS (CONT'D)

49.5 Fair Value Information (Cont'd)

The Group 2019	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	RM	RM
Financial Assets								
Other investments:								
- quoted	13,200,000	-	-	-	-	-	13,200,000	13,200,000
- unquoted	-	-	100,000	-	-	-	100,000	100,000
Short term funds	33,130,408	-	-	-	-	-	33,130,408	33,130,408
Financial Liabilities								
Land proprietor's entitlement	-	-	-	-	-	219,631,301	219,631,301	219,631,301
Term loans	-	-	-	-	244,736,418	-	244,736,418	244,736,418
Hire purchase payables	-	-	-	-	20,069,673	-	20,069,673	19,925,161

Notes to the Financial Statements

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49. FINANCIAL INSTRUMENTS (CONT'D)

49.5 Fair Value Information (Cont'd)

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
The Company	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
2020								
Financial assets								
Other investments:								
- quoted	6,800,000	-	-	-	-	-	6,800,000	6,800,000
Short term funds	25,752,648	-	-	-	-	-	25,752,648	25,752,648
Amount owing by subsidiaries	-	-	-	-	-	131,027,189	131,027,189	131,027,189
2019								
Financial assets								
Other investments:								
- quoted	13,200,000	-	-	-	-	-	13,200,000	13,200,000
Short term funds	1,854,695	-	-	-	-	-	1,854,695	1,854,695
Amount owing by subsidiaries	-	-	-	-	-	123,400,093	123,400,093	123,400,093

49. FINANCIAL INSTRUMENTS (CONT'D)

49.5 Fair Value Information (Cont'd)

(a) Fair Value of Financial Instruments Carried at Fair Value

(i) The fair value above have been determined using the following basis:-

(aa) The fair value of quoted equity investments is determined at their quoted closing bid prices at the end of the reporting period.

(bb) The fair value of the unquoted equity investments is determined to approximate the net assets of the investee as it is immaterial in the context of the financial statements.

(cc) The fair value of money market fund is determined by reference to statements provided by the respective financial institutions, with which the investments were entered into.

(ii) There were no transfer between level 1 and level 2 during the financial year.

(b) Fair Value of Financial Instruments Not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

(i) The fair values of the Group's term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

(ii) The fair values of hire purchase payables are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	The Group	
	2020	2019
	%	%
Hire purchase payables	-	4.48-6.72

50. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are as follows:-

(a) On 8 May 2019, the Company announced that it proposed to undertake a private placement of up to ten percent (10%) of the issued and paid-up share capital of the Company ("Placement Shares").

Bursa Malaysia Securities Berhad had vide its letter dated 14 May 2019, approved the listing of and quotation for up to 82,825,000 new ordinary shares to be issued. On 28 May 2019, the Company announced that the issue price of the Placement Shares had been fixed at RM0.77 per Placement Share. The 66,172,000 Placement Shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 12 June 2019.

50. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

The significant events during the financial year are as follows:- (Cont'd)

(b) On 6 February 2018, the Company's indirect wholly-owned subsidiary, Splendid Pavilion Sdn Bhd entered into a conditional Sale and Purchase Agreement ("SPA") with GP Views Development Sdn Bhd for the acquisition of 2 parcels of freehold land measuring approximately 78 acres located at Pontian, State of Johor Darul Takzim for a purchase consideration of RM149 million.

On 3 February 2020, all the conditions precedent as stated in the SPA have been met and the SPA has become unconditional.

(c) On 29 March 2019, the Company's wholly-owned subsidiary, Achwell Property Sdn Bhd ("APSB") had entered into a conditional settlement agreement, put option agreement and call option agreement with Capital City Property Sdn Bhd ("CCPSB") for the proposed variation to the terms of the joint venture agreement between APSB and CCPSB for an integrated development in Bandar Johor Bahru, District of Johor Bahru, State of Johor Darul Takzim ("Proposed Variation").

The Proposed Variation is subject to the fulfilment of the conditions precedent as stipulated in the respective Agreements. On 26 September 2019, APSB and CCPSB mutually agreed to extend the conditional period which will expire on 28 September 2019, for another six months to 28 March 2020, for CCPSB to fulfill the remaining conditions precedent as set out in the settlement agreement.

CCPSB had failed to fulfil the remaining conditions precedent as set out in the settlement agreement by 28 March 2020. Hence, the settlement agreement lapsed on that day and became null and void, and the parties fall back to the original Joint Venture Agreement on their rights and obligations.

CCPSB has since applied for and obtained an ex-parte Judicial Management Order on 13 March 2020 ("Judicial Management Order"). This, coupled with several other factors, gave rise to event(s) of default under the Joint Venture Agreement. APSB had by way of a letter dated 15 May 2020 issued a Notice of Default under the Joint Venture Agreement to CCPSB.

In the meantime, APSB has proceeded to file an application to intervene and to set aside the Judicial Management Order ("the Application"). The hearing of the Application which was fixed for 27 August 2020 has been adjourned to 4 September 2020.

(d) On 9 May 2020, the Company's wholly-owned subsidiary, Gadang Engineering (M) Sdn Bhd accepted the Letter of Acceptance from China Communications Construction (ECRL) Sdn Bhd to undertake the proposed construction and completion of subgrade earthworks from chainage 231+500 to chainage 238+322 ("Section 5 Project"), for a total contract sum of RM24,110,137.

(e) On 19 May 2020, the Company's wholly-owned subsidiary, Gadang Engineering (M) Sdn Bhd accepted the Letter of Acceptance from China Communications Construction (ECRL) Sdn Bhd to undertake the proposed construction and completion of subgrade, drainage works and culvert work from chainage 410+293 to chainage 424+182 ("Section 6 Project"), for a total contract sum of RM57,072,250.

(f) The outbreak of Coronavirus Disease 2019 (COVID-19) in early 2020 has affected the business and economic environments of the Group and hence, may impact its performance and financial position in the future. However, given the unpredictability associated with the COVID-19 outbreak and any further contingency measures that may be put in place by the governments and various private corporations, the potential financial impact of the COVID-19 outbreak on the Group's financial statements could not be reasonably quantified at this juncture.

51. INITIAL APPLICATION OF MFRS 16

The Group has adopted MFRS 16 using modified retrospective simplified approach to contracts that were previously identified as leases under MFRS 117 'Leases' and IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease', without restating any comparative information. There were no financial impact to the retained earnings of the Group upon transition to MFRS 16 as at 1 June 2019 (date of initial application).

MFRS 16 has been applied in full to lease contracts entered into or changed on or after 1 June 2019.

(a) Lessee Accounting

For leases that were classified as finance leases, the Group has recognised the carrying amount of the leased asset and lease liability immediately before 1 June 2019 as the carrying amount of the right-of-use asset and the lease liability as at the date of initial application.

For leases that were classified as operating leases under MFRS 117, the Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate applicable to the lessee companies at that date. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The Group has applied for the exemption not to recognise operating leases with a remaining lease term of less than 12 months as at 1 June 2019, in accordance with practical expedients in applying MFRS 16 for the first time.

The impacts of reclassification resulting from the adoption of MFRS 16 at 1 June 2019 are summarised below:-

	As previousy reported RM	MFRS 16 adjustments RM	As restated RM
The Group			
Statement of Financial Position			
Property, plant and equipment	61,649,319	(30,197,729)	31,451,590
Right-of-use assets	-	30,197,729	30,197,729
Bank borrowings:			
- current liabilities	168,443,598	(6,659,615)	161,783,983
- non-current liabilities	191,821,297	(13,265,546)	178,555,751
Lease liabilities:			
- current liabilities	-	6,659,615	6,659,615
- non-current liabilities	-	13,265,546	13,265,546

(b) Lessor Accounting

The Group did not make any adjustments to the accounting for assets held as lessor under operating leases as result of the adoption of MFRS 16.

List of Properties

As At 31 May 2020

Title/Location	Description/ Existing use	Tenure	Acquisition Date	Approximate Land/(Built-up) Area in sq. ft	Carrying Value (RM)
Wisma Gadang No. 52, Jalan Tago 2 Off Jalan Persiaran Utama Sri Damansara 52200 Kuala Lumpur	7 storey office block for own use	Freehold	June 1997	42,619 (45,043)	7,832,508
Tampoi Land Mukim Johor Bahru HS(D) 547601 PT No. PTB 24274	Mixed integrated commercial development	Freehold	31/07/2003	439,727	21,318,469
Salak South Land HS(D) 51683 Lot 480759; HS(D) 51684 Lot 480760; HS(D) 51685 Lot 480761; HS(D) 51686 Lot 480762; HS(D) 51687 Lot 480763; HS(D) 51688 Lot 480764; HS(D) 51689 Lot 480765; HS(D) 51690 Lot 480766; HS(D) 51691 Lot 480767; HS(D) 51692 Lot 480768; HS(D) 51693 Lot 480769 Mukim Kuala Lumpur	Mixed development	Leasehold ending 17/06/2112	27/01/2010	531,432	11,570,139
Plot No. 209 held under HS(D) 252119 PT No. 1014; Plot No. 211 held under HS(D) 252121 PT No. 1016; Plot No. 201 held under HS(D) 252138 PT No. 1033; Plot No. 202 held under HS(D) 252126 PT No. 1021; Plot No. 203 held under HS(D) 252127 PT No. 1022 Pekan Baru Sungai Besi District of Petaling Selangor	Vacant bungalow lot for sale/ development	Leasehold ending 01/12/2107	31/01/2010	52,535	7,293,423
Pokok Sena Lot 165, Pokok Sena Kedah	Mixed development	Freehold	11/06/2010	8,786,923	13,083,917

Title/Location	Description/ Existing use	Tenure	Acquisition Date	Approximate Land/(Built-up) Area in sq. ft	Carrying Value (RM)
PM 2288 Lot 20470 Mukim Serendah Daerah Hulu Selangor Negeri Selangor	Store for plant and machinery	Leasehold ending 31/08/2105	01/10/2012	400,300	4,352,671
PM 317 Lot 4249 Mukim Setapak Tempat Dusun Ranjau Daerah Kuala Lumpur	Land for development	Leasehold ending 06/02/2091	25/10/2013	413,733	33,110,000
No. Hakmilik 271958 Lot 20504 Mukim Semenyih District of Ulu Langat State of Selangor	Land for development	Freehold	30/01/2015	2,736,268	95,805,800
HS(D) 256293 PT 47369 Mukim Sungai Buloh Daerah Petaling Negeri Selangor	Commercial land for sale/ development	Leasehold ending 13/05/2108	06/02/2017	116,013	56,006,861
Gelang Patah Land HS(D) 15206, PTD 15309; HS(D) 15207, PTD 15310 Land in Mukim Jeram Batu Daerah Pontian, Negeri Johor	Land for development	Freehold	06/02/2018	3,397,744	149,000,000

Analysis of Shareholdings & Warrant Holdings

I. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2020

Share Capital

Number of Issued Shares	: 728,060,995
Class of Shares	: Ordinary shares
No. of shareholders	: 16,417
Voting Rights	: One vote per ordinary share (on a poll)

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Issued Shares	%
1 - 99	283	1.72	11,718	0.00
100 - 1,000	1,257	7.66	828,088	0.11
1,001 - 10,000	8,479	51.65	48,610,995	6.68
10,001 - 100,000	5,736	34.94	183,899,010	25.26
100,001 - 36,403,048	660	4.02	316,721,231	43.50
36,403,049* and above	2	0.01	177,989,953	24.45
Total	16,417	100.00	728,060,995	100.00

* *denotes 5% of issued shares*

SUBSTANTIAL SHAREHOLDERS (AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

		No. of Issued Shares			
	Name	Direct Interest	%	Deemed Interest	%
1.	Sumber Raswira Sdn Bhd	81,525,402	11.20	-	-
2.	Tan Sri Dato' Kok Onn	13,177,300	1.81	177,989,953[(a)]	24.45
3.	Meloria Sdn Bhd	96,464,551	13.25	-	-
4.	Puan Sri Datin Chan Ngan Thai	-	-	96,464,551[(b)]	13.25

Notes

(a) Deemed interested by virtue of his interests in Sumber Raswira Sdn Bhd and Meloria Sdn Bhd pursuant to Section 8 of the Companies Act, 2016 ("the Act")

(b) Deemed interested by virtue of her interest in Meloria Sdn Bhd pursuant to Section 8 of the Act

TOP 30 SHAREHOLDERS AS PER RECORD OF DEPOSITORS

		No. of Issued Shares	%
1.	RHB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Meloria Sdn Bhd*	96,464,551	13.25
2.	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged securities for Sumber Raswira Sdn Bhd*	81,525,402	11.20
3.	Citigroup Nominees (Asing) Sdn Bhd *Exempt An for Citibank New York (Norges Bank 14)*	18,811,300	2.58
4.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Kok Onn (7002585)*	13,177,300	1.81
5.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (Pheim)*	11,115,200	1.53
6.	UOB Kay Hian Nominees (Asing) Sdn Bhd *Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)*	8,357,500	1.15
7.	Universal Trustee (Malaysia) Berhad *TA Dynamic Absolute Mandate*	5,357,800	0.74
8.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged securities account for Su Ming Keat*	5,200,000	0.71
9.	Maybank Nominees (Tempatan) Sdn Bhd *Yeoh Ah Tu*	5,171,625	0.71
10.	Affin Hwang Nominees (Tempatan) Sdn Bhd *Pledged securities account for Law Wan Ni (M09)*	4,812,500	0.66
11.	Citigroup Nominees (Asing) Sdn Bhd *CBNY for Dimensional Emerging Markets Value Fund*	4,666,200	0.64
12.	CIMB Group Nominees (Tempatan) Sdn Bhd *Hong Leong Asset Management Bhd for Hong Leong Assurance Berhad (LP Fund ED102)*	4,170,000	0.57
13.	CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB Commerce Trustee Berhad for Hong Leong Regular Income Fund*	3,970,000	0.54
14.	Federlite Holdings Sdn Bhd	3,834,550	0.53
15.	Citigroup Nominees (Asing) Sdn Bhd *CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc*	3,685,300	0.51
16.	DB (Malaysia) Nominee (Asing) Sdn Bhd *The Bank of New York Mellon for Acadian Emerging Markets Small Cap Equity Fund, LLC*	3,659,350	0.50
17.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ko Mok Chuan (E-TMR/TMJ)*	3,528,700	0.48
18.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Hong Leong Strategic Fund*	3,500,000	0.48
19.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd *Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)*	3,400,250	0.47

Analysis of Shareholdings & Warrant Holdings

TOP 30 SHAREHOLDERS AS PER RECORD OF DEPOSITORS (CONT'D)

		No. of Issued Shares	%
20.	Tee Ah Swee	3,368,300	0.46
21.	Wu Chung Ta	3,300,000	0.45
22.	Law Wan Cheen	3,241,500	0.44
23.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Teh Win Kee (8106483)*	3,151,100	0.43
24.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Kelly Ko Kar Yee (E-TMR)*	2,928,200	0.40
25.	DB (Malaysia) Nominee (Asing) Sdn Bhd *State Street Luxembourg Fund AGZC for Allianz Global Investors Fund – Allianz Best Styles Emerging Markets Equity*	2,211,700	0.30
26.	Lee Chee Beng	2,014,750	0.28
27.	Boey Tak Kong	2,000,000	0.28
28.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged securities account for Phua Sin Mo*	1,930,000	0.27
29.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Chong Yiew On (6000006)*	1,843,900	0.25
30.	Geoffrey Lim Fung Keong	1,823,400	0.25
	Total	**312,220,378**	**42.87**

II. ANALYSIS OF WARRANT HOLDINGS AS AT 28 AUGUST 2020

Warrant 2016/2021 ("Warrants")

Total Number of Warrants Issued : 129,311,689
Total Number of Warrants Unexercised : 129,254,039
Maturity Date : 29 November 2021
No. of Warrant Holders : 4,900
Exercise Price : RM1.06 per Warrant
Exercise Rights : Each Warrant entitles the registered holder to subscribe for one (1) new ordinary share of the Company

DISTRIBUTION OF WARRANT HOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Warrants	%
1 - 99	365	7.45	14,270	0.01
100 - 1,000	1,270	25.92	820,089	0.63
1,001 - 10,000	1,824	37.22	8,991,807	6.96
10,001 - 100,000	1,209	24.67	44,015,682	34.05
100,001 - 6,462,700	232	4.74	75,412,191	58.35
6,462,701* and above	0	0.00	0	0.00
Total	**4,900**	**100.00**	**129,254,039**	**100.00**

* *denotes 5% of total Warrants unexercised*

TOP 30 WARRANT HOLDERS AS PER RECORD OF DEPOSITORS

		No. of Warrants	%
1.	Shim Hon Wei	5,800,000	4.49
2.	Goh Chin Choon	1,807,500	1.40
3.	Teoh Teck Hin	1,757,200	1.36
4.	Kok Yoon Hing	1,597,000	1.24
5.	Goh Chin Ex	1,510,000	1.17
6.	Goh Cheng Chai	1,500,000	1.16
7.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Cheah Chee Siong (PB-0J0022)*	1,492,500	1.15
8.	Heng Choon Lee	1,400,050	1.08
9.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Goh Kim Choon*	1,111,600	0.86
10.	Goh Chin Lee	1,000,000	0.77
11.	Ng Kok Yu	1,000,000	0.77
12.	Lim Chee Meng	911,000	0.70
13.	Tan Boon Chan	903,200	0.70
14.	RHB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Teh Heng Tian*	900,000	0.70
15.	Law Wan Ni	856,500	0.66
16.	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lim Chee Keong (MY2109)*	800,000	0.62
17.	Leong Chee Kit	743,800	0.58
18.	Cheah Lee Chen	669,400	0.52
19.	Goh Kim Whuat	600,000	0.46
20.	Maybank Nominees (Tempatan) Sdn Bhd *Kuek Fook Hai*	600,000	0.46
21.	Goh Wei Chiun	593,000	0.46
22.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB for Fardan Bin Abdul Majeed (PB)*	590,000	0.46
23.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ko Mok Chuan (E-TMR/TMJ)*	590,000	0.46
24.	Maybank Nominees (Tempatan) Sdn Bhd *Yeoh Ah Tu*	555,425	0.43
25.	HLB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Wong Ah Kim*	551,500	0.43
26.	Goh Chin Yam	550,000	0.42
27.	Ding Lien Bing	532,700	0.41
28.	Phang Chern Hong	505,000	0.39

Analysis of Shareholdings & Warrant Holdings

TOP 30 WARRANT HOLDERS AS PER RECORD OF DEPOSITORS (CONT'D)

		No. of Warrants	%
29.	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Kee Hong Chee (B BR Klang-CL)*	500,000	0.39
30.	Chen Kheng Seng	500,000	0.39
	Total	**32,427,375**	**25.09**

III. DIRECTORS' SHAREHOLDINGS & WARRANT HOLDINGS AS AT 28 AUGUST 2020

A. DIRECTORS' SHAREHOLDINGS IN THE COMPANY (AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS)

	No. of Issued Shares			
Name of Directors	Direct Interest	%	Deemed interest	%
Tan Sri Dato' Kok Onn	13,177,300	1.81	177,989,953[(a)]	24.45
Boey Tak Kong	2,000,000	0.28	-	-
Kok Pei Ling	1,304,400	0.18	-	-
Huang Shi Chin	157,000	0.02		

Note:

(a) Deemed interested by virtue of his interests in Sumber Raswira Sdn Bhd and Meloria Sdn Bhd pursuant to Section 8 of the Companies Act, 2016

B. SHARE OPTIONS HELD BY DIRECTORS OF THE COMPANY
(Share Options held under Gadang Holdings Berhad Employees' Share Option Scheme)

Name of Directors	No. of Share Options
Tan Sri Dato' Kok Onn	2,174,100
Boey Tak Kong	745,200
Kok Pei Ling	1,956,600

By virtue of his interests in the shares of the Company, Tan Sri Dato' Kok Onn is also deemed interested in the shares of all the subsidiary companies to the extent the Company has an interest.

Save as disclosed, none of the other Directors of the Company had any interest in the shares and share options of the Company or its related corporations as at 28 August 2020. None of the Directors had any interest in the Warrants of the Company as at 28 August 2020.

Notice of 27th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty-Seventh (27th) Annual General Meeting (AGM) of Gadang Holdings Berhad (the Company) will be held at Ballroom 3, First Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 11 November 2020 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 May 2020 together with the Reports of the Directors and Auditors thereon.
   Please refer to Explanatory Note A

2. To approve the payment of a first and final dividend of 1.0 sen per share in respect of the financial year ended 31 May 2020. *(Ordinary Resolution 1)*

3. To approve the payment of Directors' fees of up to RM300,000 for the financial year ending 31 May 2021, to be made payable quarterly. *(Ordinary Resolution 2)*
   Please refer to Explanatory Note B

4. To approve the payment of benefits payable to the Non-Executive Directors of the Company up to an amount of RM150,000 from 12 November 2020 until the next Annual General Meeting of the Company. *(Ordinary Resolution 3)*
   Please refer to Explanatory Note B

5. To re-elect the following Directors who retire pursuant to Clause 108 of the Company's Constitution and being eligible, have offered themselves for re-election:-
   (a) Mr Boey Tak Kong *(Ordinary Resolution 4)*
   (b) Ms Kok Pei Ling *(Ordinary Resolution 5)*
   Please refer to Explanatory Note C

6. To re-appoint Crowe Malaysia PLT as Auditors of the Company for the financial year ending 31 May 2021 and to authorize the Directors to fix their remuneration. *(Ordinary Resolution 6)*
   Please refer to Explanatory Note D

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions:-

7. **Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016**

   "**THAT**, pursuant to Sections 75 and 76 of the Companies Act, 2016, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the total issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad, subject always to the approvals of the relevant regulatory authorities." *(Ordinary Resolution 7)*
   Please refer to Explanatory Note E

Notice of 27th Annual General Meeting

8. **Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature**

"**THAT**, subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and/or its subsidiaries ("Gadang Group") to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.4 of the Circular to Shareholders dated 29 September 2020 ("Circular") with the related party listed in Section 2.3 of the Circular which transactions are necessary for the day-to-day operations, in the ordinary course of business of Gadang Group on terms which are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders;

THAT such authority shall commence immediately upon the passing of this resolution and shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless renewed by a resolution passed at that meeting;

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier;

AND THAT, the Directors and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorized by this resolution." *(Ordinary Resolution 8)*
Please refer to Explanatory Note F

9. **Retention of Mr Boey Tak Kong as Independent Director**

"**THAT**, subject to the passing of Ordinary Resolution 4, approval be and is hereby given to Mr Boey Tak Kong, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as an Independent Director of the Company until the conclusion of the next Annual General Meeting". *(Ordinary Resolution 9)*
Please refer to Explanatory Note G

10. To transact any other business of which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the first and final dividend of 1.0 sen per share, for the financial year ended 31 May 2020, if approved by the shareholders at the 27th Annual General Meeting, will be paid on 10 December 2020 to Depositors whose names appear in the Record of Depositors at the close of business on 20 November 2020.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

a. shares transferred into the Depositor's Securities Account before 4.30 p.m. on 20 November 2020 in respect of transfers; and

b. shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD

TAN SEOK CHUNG, SALLY
(SSM PC No. 202008001386 & MAICSA 0829689)
Company Secretary

Kuala Lumpur
29 September 2020

NOTES ON APPOINTMENT OF PROXY AND ENTITLEMENT OF ATTENDANCE

1. *A member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*

2. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.*

3. *Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*

4. *The instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur; or alternatively, by electronic submission via TIIH Online website at https://tiih.online (applicable to individual members only) not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting. Please follow the procedures provided in the Administrative Notes for the AGM if members wish to submit the instrument appointing a proxy electronically.*

5. *In respect of deposited securities, only members whose names appear in the Record of Depositors as at 4 November 2020 (General Meeting Record of Depositors), shall be entitled to attend the meeting or appoint proxy(ies) to attend and/or vote on their behalf.*

6. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice shall be put to vote by way of poll.*

Notice of 27th Annual General Meeting

EXPLANATORY NOTES

A. **Audited Financial Statements for the financial year ended 31 May 2020**
The audited financial statements are for discussion only under Agenda 1, as it does not require shareholders' approval under the provision of Section 340(1)(a) of the Companies Act, 2016. Hence, it will not be put for voting.

B. **Ordinary Resolutions 2 and 3 – Directors' Fees and Benefits**
Pursuant to Section 230(1) of the Companies Act 2016, the fees and benefits payable to the directors of a listed company and its subsidiaries shall be approved at the general meeting.

The proposed Ordinary Resolution 2, if passed, will authorize the payment of Directors' fees to the Non-Executive Directors ("NEDs") of the Company on a quarterly basis. The quantum of the Directors' fees proposed of up to RM300,000 for the NEDs is based on the current NEDs' fees structure and including a fee provision for a new NED who may be appointed during the financial year ending 31 May 2021.

The proposed Ordinary Resolution 3, if passed, will authorize the payment of Directors' benefits to the NEDs by the Company. The Directors' benefits of RM150,000 for the period from 12 November 2020 until the next AGM in year 2021 are derived from the estimated meeting attendance allowance based on the number of scheduled meetings and unscheduled meetings (when necessary) for Board, Board Committees and general meetings as well as the number of NEDs involved in the meetings and leave passage claims of the NEDs. The meeting attendance allowance for a NED is RM1,000 per meeting. The leave passage claim for a NED is RM15,000 per annum.

C. **Ordinary Resolutions 4 and 5 – Re-election of Directors**
Clause 108 of the Company's Constitution provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at each AGM of the Company. All the Directors shall retire from office once at least in every three (3) years but shall be eligible for re-election. Mr Boey Tak Kong and Ms Kok Pei Ling are standing for re-election as Directors and being eligible, have offered themselves for re-election.

Based on the annual Board Evaluation, the Nomination & Remuneration Committee and the Board are of the view that the said Directors have met the Board's expectation in terms of skills, experience, strengths and qualities and the ability to act in the best interest of the Company.

The Board has therefore recommended the re-election of the said Directors. The profile of the retiring Directors is set out in the Profile of Directors in the Annual Report 2020.

D. **Ordinary Resolution 6 – Re-appointment of Auditors**
The Board, through the Audit Committee, had reviewed and was satisfied with the performance and independence of Crowe Malaysia PLT during the financial year under review. The Board has therefore recommended the re-appointment of Crowe Malaysia PLT as external auditors of the Company for the financial year ending 31 May 2021.

E. **Ordinary Resolution 7 - Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016**
The proposed Ordinary Resolution 7 is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Companies Act, 2016, obtained from the shareholders at the last AGM. The resolution, if passed, will empower the Directors of the Company to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued does not exceed 10% of the issued shares of the Company for the time being. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, no new shares of the Company were issued pursuant to the mandate granted at the last AGM held on 6 November 2019 of which will lapse at the conclusion of this AGM.

This mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisition(s) and thereby reducing administrative time and costs associated with the convening of additional shareholders meeting(s).

F. **Ordinary Resolution 8 - Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature**

The proposed Ordinary Resolution 8 is in relation to the approval of Shareholders' Mandate for Recurrent Related Party Transactions and if passed, will empower the Company and its subsidiaries ("Gadang Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for Gadang Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

The details relating to Ordinary Resolution 8 are set out in the Circular to Shareholders dated 29 September 2020.

G. **Ordinary Resolution 9 – Retention of Mr Boey Tak Kong as Independent Director**

The Nomination & Remuneration Committee and the Board had conducted an assessment on the independence of Mr Boey Tak Kong, who has served as Independent Director for a cumulative term of more than twelve (12) years, and recommended him to continue to act as Independent Director of the Company, through a two-tier voting process, based on the following justifications:-

(a) He has fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and thus, he would be able to provide check and balance and bring an element of objectivity to the Board.

(b) His broad-based experience in the financial management, internal audit and corporate affairs has been contributing to the Group in matters of internal control and risk management.

(c) Having been with the Company for more than twelve (12) years, he is familiar with the Group's business goals and has devoted sufficient time to discharge his statutory duty and fiduciary responsibility.

(d) He has exercised due care during his tenure as Independent Non-Executive Director of the Company and has carried out his professional duty in the interest of the Company and shareholders.

The Ordinary Resolution 9, if passed, will authorise Mr Boey Tak Kong to continue to act as Independent Director of the Company until the conclusion of the next AGM.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

- There are no individuals who are standing for election as Directors at the 27th Annual General Meeting of the Company.
- Details of the general mandate to issue securities in the Company pursuant to Sections 75 and 76 of the Companies Act, 2016 are set out in Explanatory Note E of the Notice of this meeting.

Form of Proxy

NUMBER OF SHARES HELD	
CDS ACCOUNT NO.	

*I/We _____ *NRIC No./Co. No.: _____
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS AND TELEPHONE NO.)

being a *member/members of GADANG HOLDINGS BERHAD hereby appoint _____

Proxy 1 _____ NRIC No.: _____
(FULL NAME IN BLOCK LETTERS)

Proxy 2 _____ NRIC No.: _____
(FULL NAME IN BLOCK LETTERS)

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the 27th Annual General Meeting of the Company to be held at Ballroom 3, First Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 11 November 2020 at 10.00 a.m., and at any adjournment thereof.

Please indicate with an "X" in the spaces provided below as to how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at *his/her discretion.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of a first and final dividend		
2.	To approve the payment of Directors' fees for the financial year ending 31 May 2021		
3.	To approve the payment of benefits payable to the Non-Executive Directors		
4.	To re-elect Mr Boey Tak Kong as Director		
5.	To re-elect Ms Kok Pei Ling as Director		
6.	To re-appoint Crowe Malaysia PLT as Auditors		
7.	To authorize the Directors to issue shares		
8.	To renew the shareholders' mandate for Recurrent Related Party Transactions		
9.	To retain Mr Boey Tak Kong as Independent Director		

** Strike out whichever not applicable*

Dated this _____ day of _____, 2020

_____
Signature/Common Seal of Member

For appointment of 2 proxies, no. of shares and percentage of shareholdings to be represented by the proxies:-

	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

Notes:

1. *A member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*
2. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.*
3. *Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*
4. *The instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur; or alternatively, by electronic submission via TIIH Online website at https://tiih.online (applicable to individual members only) not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting. Please follow the procedures provided in the Administrative Notes for the AGM if members wish to submit the instrument appointing a proxy electronically.*
5. *In respect of deposited securities, only members whose names appear in the Record of Depositors as at 4 November 2020 (General Meeting Record of Depositors), shall be entitled to attend the meeting or appoint proxy(ies) to attend and/or vote on their behalf.*

Fold this flap for sealing

Then fold here

AFFIX STAMP

GADANG HOLDINGS BERHAD
c/o Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur

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