GADANG

GADANG HOLDINGS BERHAD

199301023376 (278114-K)

# *Staying* RESILIENT & RESPONSIVE

ANNUAL REPORT 2021

# ENGINEERING & CONSTRUCTION

# PROPERTY DEVELOPMENT

GADANG HOLDINGS BERHAD
199301023376 (278114-K)

# *Staying* RESILIENT &

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

# UTILITY

GADANG HOLDINGS BERHAD
199301023376 (278114-K)

# *Staying* RESILIENT &

**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 plant and four water treatment plants 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.***


# MECHANICAL & ELECTRICAL

GADANG

GADANG HOLDINGS BERHAD

199301023376 (278114-K)

# *Staying* RESILIENT &

**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.***

**COVER RATIONALE**

The theme "Staying Resilient and Responsive" reflects the response of Gadang in this pandemic climate. In a difficult year brought about by Covid-19, Gadang has been able to overcome many challenges by staying resilient and responsive. Careful planning and being responsive to making the necessary changes have enabled the Company to maintain the profitability of its business operations despite the tough standard operating procedures (SOPs) that had led to an inevitable slowdown business activity.

We will continue to remain resilient and responsive, and adapt to changing external environment to build a stronger Company for the foreseeable future.

# INSIDE THIS REPORT

*Show Unit, Laman Citra @ Gelang Patah, Johor*

Financial Highlights

pg. 4 Total Revenue

**RM574.8 million**


Chairman's Statement

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

pg.18

"We will continue to grow the business through hard work and dedication and will continue to invest in our people and technology to deliver respectable financial performance every year."

**CORPORATE INFORMATION**


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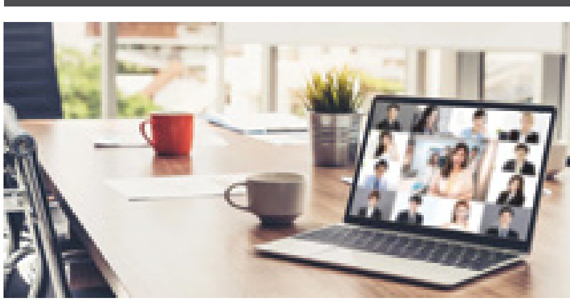
• Enclosed Form of Proxy


**VIRTUAL ANNUAL GENERAL MEETING**



**28th VIRTUAL ANNUAL GENERAL MEETING**

Online meeting platform via TIIH Online website at https://tiih.online provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia

Wednesday, 3 November 2021

10.00 a.m.

# OUR VISION MISSION ARE THE ANCHOR

**THAT KEEPS US MOVING FORWARD**

## OUR VISION

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

## OUR 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, Environment, Social and Governance considerations alongside financial ones, to support business continuity and competitiveness over the long term

# CORPORATE PROFILE

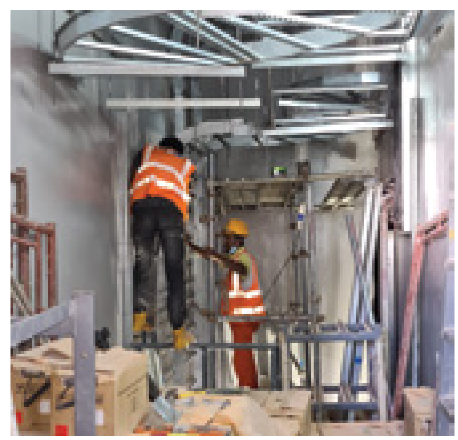
**Gadang Holdings Berhad** (Gadang or the Company) was incorporated in Malaysia on 6 October 1993 as a public limited company under the name of Lai Sing Holdings Berhad. It was listed on the Second Board of Bursa Malaysia Securities Berhad on 2 September 1994 under the Construction Sector.

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.

*TRX City Dispersal Road Tunnelling Link to Jalan Tun Razak, Kuala Lumpur*

*Elegan Residensi at Putra Perdana (Phase 1)*



*Cable riser works in TRX tunnel*

*Mini-hydro Power Plant waterway*

# FINANCIAL CALENDAR

for financial year ended 31 May 2021

## ANNOUNCEMENT OF QUARTERLY RESULTS

1st

**21 October 2020**
First Financial Quarter ended
31 August 2020

2nd

**27 January 2021**
Second Financial Quarter ended
30 November 2020

3rd

**28 April 2021**
Third Financial Quarter ended
28 February 2021

4th

**28 July 2021**
Fourth Financial Quarter ended
31 May 2021

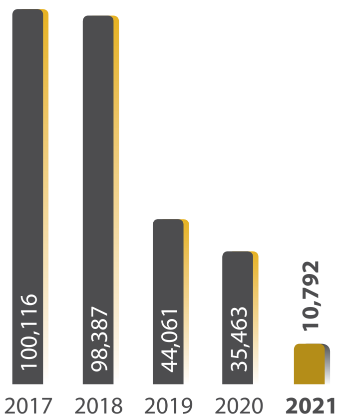
## PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS

**30 September 2021**
Notice of 28th Annual General Meeting

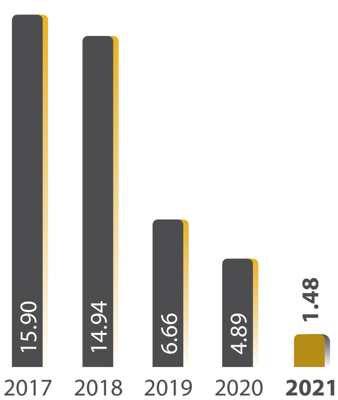
**3 November 2021**
28th Annual General Meeting

# FINANCIAL HIGHLIGHTS

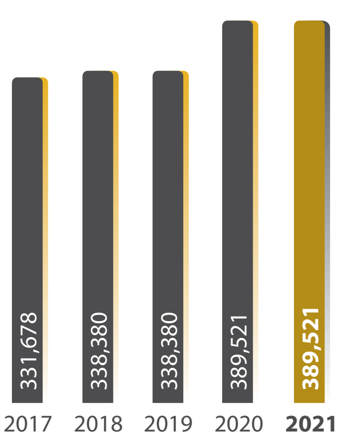
**PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM'000)**




**NET EARNINGS PER SHARE (sen)**

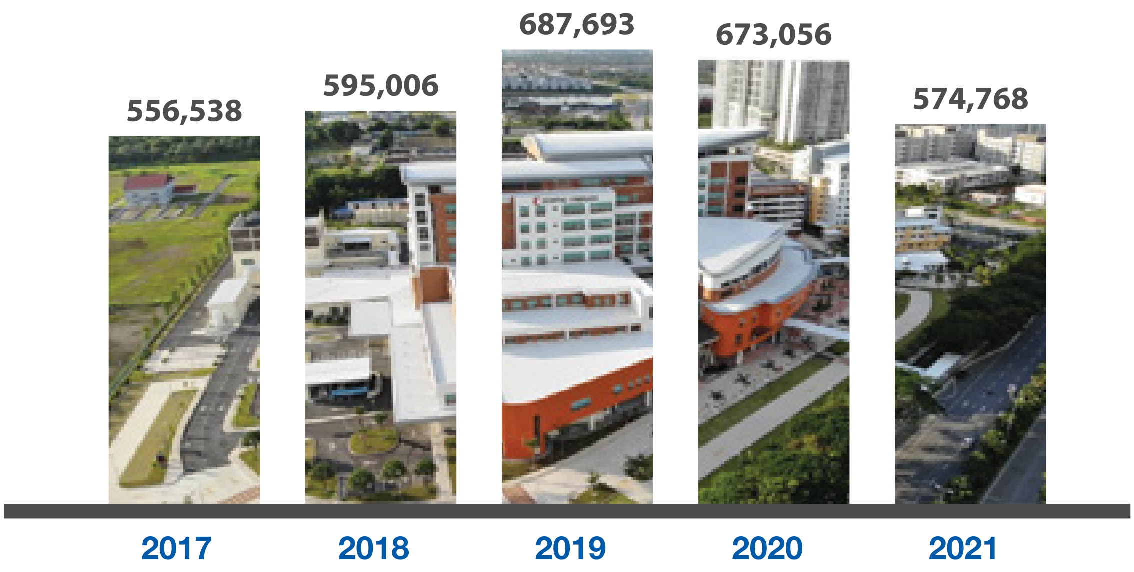



**ISSUED SHARE CAPITAL (RM'000)**




| YEAR ENDED 31 MAY | 2021 RM'000 | 2020 RM'000 | 2019 RM'000 | 2018 RM'000 | 2017 RM'000 |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| Construction | 365,983 | 492,475 | 479,546 | 378,131 | 286,623 |
| Property Development | 183,138 | 156,136 | 184,919 | 193,826 | 244,176 |
| Utility | 25,647 | 24,445 | 23,228 | 22,814 | 23,067 |
| Investment Holding and Others | - | - | - | - | - |
| | 574,768 | 673,056 | 687,693 | 594,771 | 553,866 |
| Plantation (discontinued) | - | - | - | 235 | 2,672 |
| | 574,768 | 673,056 | 687,693 | 595,006 | 556,538 |
| **PROFIT/(LOSS) BEFORE TAXATION** | | | | | |
| Construction | 109 | 33,716 | 40,940 | 84,728 | 83,056 |
| Property Development | 25,452 | 36,175 | 39,237 | 66,957 | 62,837 |
| Utility | 7,243 | 4,903 | 7,005 | 60 | 4,651 |
| Investment Holding and Others | (12,735) | (15,462) | (15,459) | (17,643) | (8,990) |
| | 20,069 | 59,332 | 71,723 | 134,102 | 141,554 |
| Plantation (discontinued) | - | - | - | (155) | (2,952) |
| | 20,069 | 59,332 | 71,723 | 133,947 | 138,602 |
| **PROFIT AFTER TAXATION** | 11,155 | 35,654 | 44,141 | 98,400 | 100,606 |
| **PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY** | 10,792 | 35,463 | 44,061 | 98,387 | 100,116 |
| **ISSUED SHARE CAPITAL** | 389,521 | 389,521 | 338,380 | 338,380 | 331,678 |
| **SHAREHOLDERS' FUNDS** | 816,620 | 814,061 | 733,836 | 706,815 | 623,621 |
| **TOTAL TANGIBLE ASSETS** | 1,733,270 | 1,756,144 | 1,768,231 | 1,687,331 | 1,408,507 |
| **NET EARNINGS PER SHARE (sen)** | 1.48 | 4.89 | 6.66 | 14.94 | 15.90 |
| **NET ASSETS PER SHARE (RM)** | 1.12 | 1.12 | 1.11 | 1.07 | 0.95 |

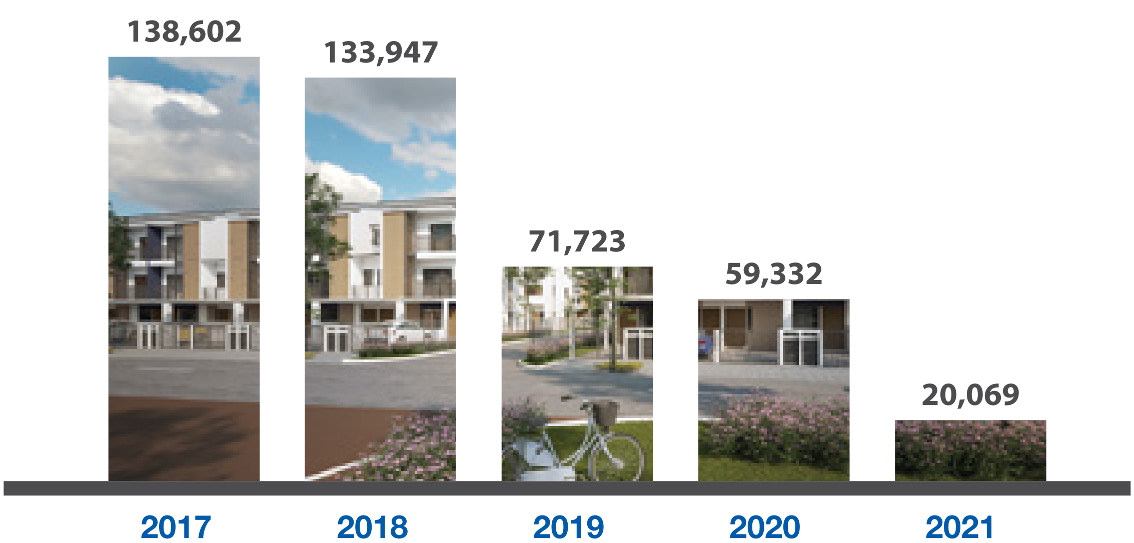
# FINANCIAL HIGHLIGHTS




2020
**RM673,056**

**REVENUE**
(RM'000)

2021
**RM574,768**




2020
**RM59,332**

**PROFIT BEFORE TAX**
(RM'000)

2021
**RM20,069**

# CORPORATE STRUCTURE

GADANG HOLDINGS BERHAD

## PROPERTY 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

- **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**
*Non-Independent Non-Executive Director*

**HUANG SHI CHIN**
*Senior Independent Non-Executive Director*

**SHERMAN LAM YUEN SUEN**
*Independent Non-Executive Director*

### AUDIT COMMITTEE

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

### NOMINATION & REMUNERATION COMMITTEE

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

### BOARD RISK COMMITTEE

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

### 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**
Registration No.:
197101000970 (11324-H)
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
Website : www.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

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

*Chairman, Independent Non-Executive Director*

73 years old | Male | Malaysian

**Membership of Board Committees**
- Audit Committee
- Nomination & Remuneration Committee
- Board Risk Committee

**Board Meeting Attendance in financial year 2021**

**6/6**

**TAN SRI DATO' KOK ONN**

*Managing Director cum Chief Executive Officer*

70 years old | Male | Malaysian

**Membership of Board Committees**
- Nil

**Board Meeting Attendance in financial year 2021**

**6/6**

**BOEY TAK KONG**

*Non-Independent Non-Executive Director*

67 years old | Male | Malaysian

**Membership of Board Committees**
- Audit Committee
- Nomination & Remuneration Committee
- Board Risk Committee

**Board Meeting Attendance in financial year 2021**

**6/6**

# BOARD OF DIRECTORS

## KOK PEI LING

*Executive Director*
*Chief Financial Officer*

39 years old | Female | Malaysian

**Membership of Board Committees**

- Nil

**Board Meeting Attendance in financial year 2021**

**6/6**

## HUANG SHI CHIN

*Senior Independent Non-Executive Director*

63 years old | Male | Malaysian

**Membership of Board Committees**

- Audit Committee
- Nomination & Remuneration Committee (Chairman)
- Board Risk Committee (Chairman)

**Board Meeting Attendance in financial year 2021**

**6/6**

## SHERMAN LAM YUEN SUEN

*Independent Non-Executive Director*

48 years old | Male | Malaysian

**Membership of Board Committees**

- Audit Committee (Chairman)
- Nomination & Remuneration Committee
- Board Risk Committee

**Board Meeting Attendance in financial year 2021**

**-/-**

# PROFILE OF DIRECTORS

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

**Chairman, Independent Non-Executive Director**

**73 years old | Male | Malaysian**

### Date of Appointment
1 December 2016

### Length of Service (as at 31 May 2021)
4 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)
Listed Entities
- Nil

Public Companies
- Nil

## TAN SRI DATO' KOK ONN

**Managing Director cum Chief Executive Officer**

**70 years old | Male | Malaysian**

### Date of Appointment
10 March 1997 as Joint Managing Director
2 September 1997 as Managing Director cum Chief Executive Officer

### Length of Service (as at 31 May 2021)
24 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 49 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)
Listed Entities
- Nil

Public Companies
- Nil

# PROFILE OF DIRECTORS

## BOEY TAK KONG

**Non-Independent Non-Executive Director**

**67 years old | Male | Malaysian**

### Date of Appointment
3 December 2007

### Length of Service (as at 31 May 2021)
13 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 Human Resources Development Fund (HRDF). He has over 23 years of broad senior management experience in financial management, internal audit, corporate affairs and regional business development with some listed groups with listings in Malaysia, United Kingdom, Singapore, Australia and New Zealand.

### Other Directorship(s)
Listed Entities
- Censof Holdings Berhad
- Ho Hup Construction Company Berhad

Public Companies
- Nil

## KOK PEI LING

**Executive Director, Chief Financial Officer**

**39 years old | Female | Malaysian**

### Date of Appointment
2 January 2013

### Length of Service (as at 31 May 2021)
8 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)
Listed Entities
- Nil

Public Companies
- Nil

# PROFILE OF DIRECTORS

## HUANG SHI CHIN

**Senior Independent Non-Executive Director**

**63 years old | Male | Malaysian**

### Date of Appointment
1 August 2017

### Length of Service (as at 31 May 2021)
3 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)
Listed Entities
- Nil

Public Companies
- Nil

## SHERMAN LAM YUEN SUEN

**Independent Non-Executive Director**

**48 years old | Male | Malaysian**

### Date of Appointment
16 August 2021

### Academic/Professional Qualification(s)
- Master of Business Administration (Finance), CSU Australia
- Chartered Accountant of the Malaysian Institute of Accountants
- Fellow Member of the Chartered Institute of Management Accountants, U.K.
- Fellow Member of CPA Australia
- Chartered Member of the Institute of Internal Auditors Malaysia
- CFP™ Certified Member of The Financial Planning Association of Malaysia

### Working Experience
Mr Sherman started his career with Fulton Prebon (M) Sdn Bhd, a financial services subsidiary of Seacorp (a PNB company) in 1994. He then joined the Treasury Division of Utama Merchant Bank Berhad (an investment bank jointly owned by Utama Banking Group Berhad and HSBC Investment Bank Asia Ltd) in 1997, eventually taking on the role of Chief Dealer and Treasury Manager. Thereafter in 2000, he joined Nikkei Pacific Corporate Advisors, a regional corporate finance advisory firm as an Associate Director where he advised on several large corporate restructuring and capital raising exercises in Indonesia and Malaysia.

Since 2002, he has been the Managing Director of Cirrus Ventures Group, an independent private equity and venture capital investments firm. He is also the Managing Partner of Sherman Lam & Co, a firm of Chartered Accountants.

### Other Directorship(s)
Listed Entities
- Asian Pac Holdings Berhad
- Hiap Teck Ventures Berhad

Public Companies
- Nil

**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 five years; and
4. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2021.

# PROFILE OF KEY SENIOR MANAGEMENT







**01**
**DATO' CHAN AH KAM**
*Head of Group Legal & Contract Gadang Holdings Berhad*

**02**
**KHEW CHECK KIET**
*Managing Director, Gadang Engineering (M) Sdn Bhd (Construction Division)*

**03**
**SAW CHEE HOAY**
*Executive Director/Head of Tender & Contract, Gadang Engineering (M) Sdn Bhd (Construction Division)*

**04**
**YU KANG HUAI**
*Managing Director, Gadang Land Sdn Bhd (Property Division)*

**05**
**LIEW SWEE KONG**
*Managing Director, Datapuri Sdn Bhd (Mechanical & Electrical Division)*

**06**
**FOO MIENG YONG**
*Managing Director, Regional Utilities Sdn Bhd (Utility Division)*

# PROFILE OF KEY SENIOR MANAGEMENT

## DATO' CHAN AH KAM

**Head of Group Legal & Contract Gadang Holdings Berhad**

68 years old | Male | Malaysian

**DATE OF 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)**

61 years old | Male | Malaysian

**DATE OF 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.

## SAW CHEE HOAY

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

67 years old | Male | Malaysian

**DATE OF 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.

# PROFILE OF KEY SENIOR MANAGEMENT

| YU KANG HUAI | LIEW SWEE KONG | FOO MIENG YONG |
|---|---|---|
| **Managing Director, Gadang Land Sdn Bhd (Property Division)** | **Managing Director, Datapuri Sdn Bhd (Mechanical & Electrical Division)** | **Managing Director, Regional Utilities Sdn Bhd (Utility Division)** |
| 49 years old \| Male \| Malaysian | 49 years old \| Male \| Malaysian | 68 years old \| Male \| Malaysian |
| **DATE OF APPOINTED AS KEY SENIOR MANAGEMENT** | | |
| 1 September 2020 | 1 November 2012 | 1 March 2016 |
| **ACADEMIC/PROFESSIONAL QUALIFICATION(S)** | | |
| • Bachelor of Engineering (Hons) in Civil Engineering, University of Teknologi Malaysia | • Bachelor in Electrical Engineering, University of Teknologi Malaysia | • Bachelor of Science in Civil Engineering (Hons) from Brighton Polytechnics, United Kingdom |
| **WORKING EXPERIENCE** | | |
| He joined Gadang Land Sdn Bhd in 2010 as Project Senior Manager. He was subsequently promoted as Project General Manager in 2014 and Chief Operating Officer in charge of the Property Division of the Group in 2017.<br><br>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. | 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. | 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.<br><br>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 five years; and
5. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2021.

# GADANG IN THE NEWS


## Gadang staying resilient despite setbacks

PETALING JAYA: Gadang Holdings Bhd could face challenges in replenishing its orderbook, having been unsuccessful in securing significant construction contracts for a few years.

TA Securities in a report said Gadang had not bagged a major construction job since August 2017.

"The outstanding construction order book declined to RM700mil from an estimated RM800mil a quarter ago. This translates into a cover ratio of 1.5-times 2019 construction revenue and could provide earnings visibility for the next two years."

For its property division, TA Securities said the company had recorded property sales of approximately RM120mil in the first half of 2021, compared with RM81mil in the previous corresponding period.

"Property unbilled sales stood at RM124mil as of end-November 2020."

Meanwhile, JF Apex Securities said Gadang is working hard to buck the trend with the prevailing challenging outlook for its construction and property divisions.

"Currently, the group is bidding for RM3bil worth of construction jobs, mainly consisting infrastructure and public amenities such as government hospitals. tations, accounting for 23.7% and 20.5% of the research house's and consensus' full-year estimates respectively.

"The variance was mainly due to an unexpected loss reported by its construction division."

Year-on-year, TA Securities said Gadang's first half 2021 revenue dropped by 17.9% to RM283.5mil, having been negatively impacted by the Covid-19 pandemic.

"First half 2021 core pre-tax profit declined at a faster pace of 77.0% to RM6.9mil, as the construction division sank into the red.

The weaker earnings were dragged down by compliance costs and reduced operating efficiency as a result of more stringent standard operating procedures to curb the Covid-19 pandemic."

On a sequential basis, TA Securities said the quarterly revenue rebounded by 45.7% to RM168.1mil, mainly due to recovery of revenue reported by Gadang's construction and property divisions.

"However, the compliance with the Covid-19 standard operating procedures was a drag on the construction division, resulting in the division reporting a pre-tax loss of RM1.8mil in the second quarter of 2021.

## Gadang may have completed bottom-building process, says RHB Retail Research

# GADANG IN THE NEWS

## Gadang expected to secure more contracts

CONSTRUCTION

Friday, 31 Jul 2020


KUALA LUMPUR: As construction activities pick up gradually following the easing of the lockdown, Gadang Holdings Bhd is expected to secure more contracts.

## Gadang's property division records steady revenue growth

By Sharen Kaur - July 29, 2021 @ 2:26pm

Maple Residence comprises landed homes in the Laman View integrated township in Cyberjaya. Image taken from www.lamanview.com.my

StarBiz


## More power to Kwasa Damansara

### Plans to inject more development in the pipeline

StarBiz Special | PROPERTY

TheStar

## Gadang posts quarterly net profit of RM3.7mil

CORPORATE NEWS

Thursday, 29 Jul 2021

The group is involved in civil engineering and construction, property development, water supply, and mechanical and electrical engineering services. (File pic shows Gadang construction.)

PETALING JAYA: Gadang Holdings Bhd posted a RM3.7mil net profit for its fourth quarter ended May 31, 2021 (Q4FY21) compared with a loss of RM259,000 a year ago, while revenue was 32% higher to RM152.3mil.

The group is involved in civil engineering and construction, property development, water supply, and mechanical and electrical engineering services.

In a filing with Bursa Malaysia, the company said the improved Q4 earnings were due to its construction and utilities divisions, while the higher revenue was mainly due to the property division's better sales for some ongoing projects.

For FY21, the group's net profit dropped 71% year-on-year to RM10.25mil from RM35.5mil in FY20, while revenue

# 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 2021 (FYE 2021).

# CHAIRMAN'S STATEMENT

## INDUSTRY LANDSCAPE

In Malaysia, the spike of Covid-19 cases following the new wave of infections since the fourth quarter of 2020 has prompted the reinstatement of the Conditional Movement Control Order (CMCO) in various states. Subsequently, the worsening of the pandemic has led to the re-imposition of MCO 2.0 since Jan 2021 and the implementation of Full Movement Control Order (FMCO) nationwide starting 1 Jun 2021.

With the implementation of restricted movement and stringent standard operating procedures, Malaysia recorded negative growth of 0.5% (4Q2020: 3.4%), and the construction sector contracted by 10.4% (4Q2020: 13.9%) in the first quarter of 2021 (Source: BNM Quarterly Bulletin – First Quarter 2021, Bank Negara Malaysia).

## FINANCIAL PERFORMANCE

The unprecedented movement restrictions throughout FYE 2021, triggered by the Covid-19 pandemic, have resulted in continuous work stoppages at all construction and property projects. As a result, the Group posted lower revenue of RM574.8 million (FYE 2020: RM673.0 million) and a significantly lower pre-tax profit of RM20.1 million (FYE 2020: RM59.3 million), mainly due to business disruptions resulting from the pandemic.

An in-depth Group's financial performance and affairs are contained in the Management Discussion and Analysis section within this Annual Report.

## EMBRACING NEW WAYS OF WORKING

The Group stands stronger today due to the continuous strive to ensure performance-driven contribution to remain productive. Premised on our Sustainability Vision, we are committed to the environment, community, marketplace and workplace through our Economic, Environmental, and Social pillars.

We are a strong advocate of fair and equitable treatment of all our employees. We constantly strive to move forward in our social compliance journey and adhere to manpower best practices, aligned with regulatory benchmarks to protect the welfare of our people.

**“The Group stands stronger today due to the continuous strive to ensure performance-driven contribution to remain productive.”**

Our Sustainability Report contains a comprehensive account of our progress and accomplishments during the year in our efforts towards sustainable development.

## PROPOSED DIVIDEND

The Board is pleased to recommend a first and final dividend of 0.30 sen per ordinary share for the FYE 2021, to be approved at the forthcoming Annual General Meeting by the shareholders.

The dividend payment amounts to some RM2.2 million. This translates into a dividend payout ratio of approximately 20% of its profit after tax of RM11.2 million, which is in line with our dividend payout ratio policy over the last few years.

## CORPORATE AND BUSINESS DEVELOPMENTS

(a) On 8 March 2021, the Company ceased to be a substantial shareholder of KTG Berhad (formerly known as DWL Resources Berhad) due to the dilution of its shareholding percentage to below 5% based on the enlarged share capital of 405,435,000 ordinary shares as a result of the conversion of Irredeemable Convertible Preference Shares to ordinary shares.

(b) On 29 March 2019, the Company announced that Achwell Property Sdn Bhd ("APSB"), a wholly-owned subsidiary of the Company had entered into a conditional settlement agreement (“the 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").

# CHAIRMAN'S STATEMENT

*Mass Rapid Transit Line 2: Package V206*

The Proposed Variation is subject to the fulfillment of the conditions precedent as stipulated in the Agreement.

CCPSB failed to fulfill the conditions precedent set out in the Agreement by 28 March 2020. Hence, the Agreement lapsed on 28 March 2020 and became null and void, and the parties fall back to the original Joint Venture Agreement ("JVA") on their rights and obligations.

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

On 28 July 2021, APSB entered into another Conditional Settlement Agreement ("CSA") with the Judicial Manager of CCPSB, which sets out the terms and conditions governing the payment of the final settlement sum and other matters relating to the settlement. Under the terms of the CSA, APSB's Entitlement Sum has been revised to RM190 million, of which a total of RM150 million has been paid to APSB to-date.

In this regard, the Parties have agreed for CCPSB to settle and pay the final settlement sum of RM40 million as the full and final settlement of APSB's Entitlement Sum and all other rights, interests and/or benefits APSB may have under the JVA. The CSA is subject to the fulfillment of the conditions precedent within six (6) months from the date of the CSA, which includes the approval of the Company's shareholders at a general meeting to be convened.

(c) On 23 August 2021, Gadang Land Sdn Bhd, a wholly-owned subsidiary of the Company has entered into a Sale and Purchase Agreement with SkyRia Development Sdn Bhd (formerly known as Nusa Jutamas Sdn Bhd) to dispose a parcel of residential land located at Jalan Kolam Air, Taman Melawati, Kuala Lumpur (the "Land") for a total cash consideration of RM43 million. At the financial year ended 31 May 2021, the Land is classified as inventories in the financial statements.

## BUSINESS OUTLOOK

Throughout FYE 2021, the construction sector posted a steady decline in growth with the minimal roll-out of new construction and infrastructure contracts. As a result of the Covid-19 pandemic, industry players experienced a myriad of short-term and long-term industrial challenges, including stringent implementation of Covid-19 containment measures to

# CHAIRMAN'S STATEMENT

minimise workplace infection risks. The measures undertaken had resulted in significant interruptions to work progress, and project sites were unable to operate at full capacity. Order book replenishment prospects are expected to be challenging due to the reduction in Government infrastructure spending. The revival of some major infrastructure projects in the country will provide a much-needed lift to expedite economic recovery after the pandemic stalled growth. Projects such as the MRT 3 play a crucial role in pump-priming the domestic economy in a downturn.

The property development sector remains subdued due to weak economic conditions. The industry saw a decline in the number of home seekers, and the property sales and purchase process were halted due to movement restrictions. Despite the challenging economic and operating environment, the Group's Property Division successfully launched the Maple Residence Phase 2, Cyberjaya, in June 2020 and received an impressive response from homeowners and investors. The Division has placed more efforts to monetize the slowing-moving stocks at a reasonable price margin. As of 31 May 2021, the unsold completed properties stood at RM35.2 million (FYE 2020: RM61.4 million), mainly comprised of high-rise properties and terrace houses located in Klang Valley. We aim to increase affordability for our homebuyers as we seek to capture the opportunity to reconfigure the space we live in as customers adjust themselves to a new reality where working from home is increasingly becoming a new normal.

*Artist impression of Cassia Residence @ Laman View*

The Covid-19 pandemic in Indonesia has not significantly impacted the Utility Division's concession water treatment assets. The operations and maintenance of the water treatment plants are going on uninterrupted, fulfilling the contractual obligations, and the collection on billing has been on time. The Group's mini-hydro power plant in Sumatera, Indonesia has achieved 94% physical project completion. However, the current pandemic situation in Indonesia has impacted the project's progress, including the commissioning of the plant. Upon commissioning the power plant, the investment is expected to contribute regular income streams to the Group until the year 2036.

Moving forward, the climate is uncertain, with outcomes depending largely on the duration of the Covid-19 pandemic, economic recovery, and political situation. The Group anticipates continuing disruption on the overall market environment. Given the constantly changing business environment, the Group expects the coming financial year to be as challenging as the current financial year.

## ACKNOWLEDGEMENT

The Board of Directors wishes to thank the management and all employees for their dedication and contributions to the Group in the past year, especially for their swift and coordinated response to the Covid-19 pandemic. The months ahead will undoubtedly require vigilance and resolve until we return to any semblance of normalcy. We would also like to thank all our shareholders, customers, and business partners for their support to the Group, especially through this challenging period. The Group values and looks forward to this continued support in our journey ahead.

We will continue to grow the business through hard work and dedication and will continue to invest in our people and technology to deliver respectable financial performance every year.

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

# MANAGEMENT DISCUSSION & ANALYSIS

## TAN SRI DATO' KOK ONN

*Managing Director cum Chief Executive Officer*

Operationally, we strive to strengthen information technology policies, infrastructure, cybersecurity, and digital work processes to enhance workforce agility and productivity.

## REVIEW OF FINANCIAL RESULTS

### FINANCIAL PERFORMANCE OVERVIEW

The year 2020 was unlike any other year in recent history. No one anticipated a pandemic at the start of the year, and that it would continue to unfold even as we headed into 2021. The mandated shutdowns during the Movement Control Order (MCO) period have resulted in work disruptions and movement restrictions; all works virtually stopped except for works deemed critical to public safety. All property galleries were also closed. This had adversely affected the financial performance of the Group for the current year under review.

For FYE 2021, the Group registered a lower revenue of RM574.8 million (FYE 2020: RM673.0 million). The lower revenue was attributed to the Construction Division, which was reduced by 26% from the previous year, but partly offset by higher revenue for Property Division.

Reported profit before tax (PBT) stood at RM20.1 million for FYE 2021 (FYE 2020: RM59.3 million), representing a decrease of 66%. This was mainly due to the lower profit margins for the ongoing construction and property development projects. The Group also made certain one-off adjustments in the year, such as impairment to inventories and concession assets.

The Construction Division continued to be the main revenue contributor of the Group, recording a revenue of RM366.0 million (FYE 2020: RM492.5 million). The Construction Division's PBT dipped to RM0.1 million compared with RM33.7 million last year, mainly due to the completion of major projects in the preceding year and lower depressed profit margins for the ongoing projects. The continuous impact of the Covid-19 pandemic had resulted in more stringent Standard Operating Procedures (SOP), which suspended and deferred project progress, resulting in higher implementation costs for ongoing projects to be safely implemented.

The Property Division's revenue for the current year increased to RM183.1 million (FYE 2020: RM156.1 million). However, PBT decreased to RM25.5 million (FYE 2020: RM36.2 million). This was mainly due to lower profit margins from the sale of affordable residential projects that generated the essential sales volume. Due to the weaker property market caused by the Covid-19 pandemic and the MCO, this Division impaired the carrying value of one of its inventories, amounting to RM7.9 million in FYE 2021.

The Utility Division registered a pre-tax profit of RM7.2 million (FYE 2020: RM4.9 million), on the back of revenue of RM25.6 million (FYE 2020: RM24.4 million). The higher profit was mainly due to the lower operating costs in the current year.

### FINANCIAL POSITION OVERVIEW

The Group's financial position remained stable in FYE 2021 as shown below:

| Financial Ratio | FYE 2021 | FYE 2020 |
|---|---|---|
| Current Ratio | 2.9 times | 2.4 times |
| Total Equity | RM821.6 million | RM818.8 million |
| Net Asset per share | RM1.12 | RM1.12 |

**Current ratio (Current assets/Current liabilities)**

The Group's current ratio, a yardstick that measures the Group's financial liquidity, improved to 2.9 times (FYE 2020: 2.4 times). The healthy current ratio indicates that the Group has adequate liquidity to meet its short-term commitments and working capital requirements.

**Total Equity**

Total equity increased by 0.3% to RM821.6 million due to the increase in retained earnings.

## STATEMENT OF CASH FLOWS

| RM'million | FYE 2021 | FYE 2020 |
|---|---|---|
| Net cash generated from/(used in) operating activities | (104.9) | 173.4 |
| Net cash generated from/(used in) investing activities | (3.2) | (12.9) |
| Net cash generated from/(used in) financing activities | 132.3 | (35.9) |

# MANAGEMENT DISCUSSION & ANALYSIS

**Net cash used in operating activities**

The net operating cash outflow increased substantially, mainly attributable to the acquisition of two parcels of land at Pontian, Johor, for future property development activities.

**Net cash used in investing activities**

The net investing cash outflow arose mainly from the construction of our mini-hydropower plant in Indonesia. Capital expenditure remained low in this current financial year as the Group's pool of assets was sufficient to support the present order book.

**Net cash generated from financing activities**

The positive financing cash flow was mainly due to the drawdown of the term loan to finance the acquisition of two parcels of land at Pontian, Johor, and the release of sinking funds from the completed construction projects by the banks.

## CAPITAL MANAGEMENT

| RM'million | FYE 2021 | FYE 2020 |
|---|---|---|
| Total borrowings | 408.7 | 289.1 |
| Total cash & bank balances, and investment securities | 286.1 | 302.8 |
| Net borrowings/(cash) | 122.6 | (13.7) |
| Total Equity | 821.6 | 818.8 |
| Net Gearing Ratio (times) | 0.15 | Net cash positive |

Our approach to capital management is to maintain a strong credit rating and healthy capital ratios to support our daily operations without disruption. Our strategy is to maximise shareholder's wealth by managing our excess funds prudently. Our funds are invested in a diverse portfolio such as fixed income securities, money market instruments, and placement in selected funds. Our objective as a Group is to optimize internal funds and minimise external borrowings, and we will source for the most reasonable rates both in placement and borrowing. We manage our funds by planning our payments ahead of time to ensure that we keep a minimum bank balance at all times.

The Group's total borrowings increased to RM408.7 million (FYE 2020: RM289.1 million); this was mainly to finance the acquisition of two parcels of land at Pontian, Johor, for property development activities.

The Group is continuously working towards reducing its gearing level via various de-gearing initiatives, including equity fundraising, assets monetization, disposal of the land bank which are not for immediate development and intensify sales of the Group's existing inventories under the Property Division. The Group is constantly exploring ways to leverage on the current low-interest-rate regime and relieve some immediate repayment pressure by restructuring and refinancing its loans as appropriate.

It is vital to ensure that we have sufficient credit facilities on hand to ensure that we can seize any project opportunities in the market. Our credit facilities vary from the issuance of bank guarantees such as performance bonds, advanced payment bonds, tender bonds, invoice factoring, and revolving credit.

Total capital expenditure incurred in FYE 2021 was some RM14.2 million, comprising mainly the following capital allocations:

- the construction of the mini-hydro power plant in Indonesia – RM9.3 million
- acquisition of property plant and equipment, and motor vehicles – RM3.0 million

## BUSINESS OPERATIONS REVIEW

**Construction Division**

Since the onset of the Covid-19 pandemic, the construction sector has taken a major setback with continuous work disruptions due to its outbreaks, with many projects halted to control the spread of the virus. The public sector investments were particularly weak, mainly due to lower capital spending and the review of large infrastructure projects.

The slow economic growth and uncertainty of domestic policies, which stemmed from the political situation in Malaysia, have affected the replenishment of the construction order book for the Group's Construction Division in both short and medium term.

# MANAGEMENT DISCUSSION & ANALYSIS

North-South Steel Bridge at Tun Razak Exchange

For FYE 2021, the Division faced operational constraints and cost pressures caused by the prolonged Covid-19 pandemic. The work stoppages in construction works due to the nationwide MCO affected project timeline with stringent SOP with reduced operational capacity and high testing requirements for all workers.

The Division has aligned its business strategy with the Group's strategic plan to address the business challenges ahead. Its business strategy prioritizes driving business growth through strategic partnerships, turnkey projects, and regional expansion. It also focuses on enhancing operational excellence and accountability-based performance culture. The Division has always placed great importance on upholding the highest standards of Health, Safety and Environment practices at its workplace and project sites. Risk management processes are an integral part of our project planning to ensure that the company provides a safe working environment for all parties involved.

The Division will be mindful of the various challenges posed by the uncertainties of government policies and a weakened global economy. However, we believe the Division's outlook remains resilient backed by its strengthened risk management processes and expertise in managing significant and complex construction projects.

**Property Development Division**

The global pandemic of the Covid-19 outbreak has contributed considerably to the lackluster property market performance in 2021. The optimistic scenario for the Malaysian property market in 2021 would be a slightly better performance than the year 2020 with the commencement of the vaccination program rolled out by the Government. However, with the recent spike of infections and implementation of MCO 3.0, the hope for recovery may be delayed until 2022. The property market continues to be challenging as the pandemic has yet to be brought under control.

Despite the challenging market, we remain our focus in 2021 on mid-market affordable homes with good quality products. With the government-initiated campaign such as the Home Ownership Programme (HOC) extended until the year-end of 2021, it is seen as an advantage for first-time homebuyers with the current low interest rates.

The Property Division's performance for FYE 2021 was mainly derived from the following developments:

- Phase 2 of Maple Residence at Laman View, which comprises 146 units of stratified landed terrace homes in Cyberjaya, Selangor, launched in June 2020;

# MANAGEMENT DISCUSSION & ANALYSIS

*Artist impression of Phase 2, Maple Residence @ Laman View*

- Elegan Residensi at Putra Perdana (Phase 1), which comprises 270 units 1.5 storey townhouses in Puchong; and
- Vitis at The Vyne, an affordable luxury condominium development in Salak South, Kuala Lumpur.

Notwithstanding the depressed market and market challenges faced by the property sector in FYE 2021, the Division recorded RM231.2 million (FYE 2020: RM154.0 million) in property sales.

We currently have a balance of 328 acres of undeveloped land with an estimated gross development value of RM3.3 billion and unbilled sales of RM161.7 million.

In FYE 2021, the Property Division launched the second phase of Elegan Residensi, second phase of Maple Residence, and 1.5 storey townhouses in Akasia at Semenyih. The Division will focus mainly on affordable residential developments to align with the current market demand for the coming financial year. The new launches planned for FYE 2022 are:

- Laman Citra, Phase 1 of double-storey terrace homes in Gelang Patah, Johor Bahru; and
- Cassia Residence, Laman View in Cyberjaya, which comprises 300 units of affordable high rise apartment.

As we enter into the new financial year, the short-term outlook for the property sector remains challenging. However, the situation will likely improve with the implementation of the vaccination program and upon the pandemic brought under control. However, the road to recovery is expected to be gradual as we acclimatize to the post-Covid-19 implications. We remain cautiously optimistic on the long-term outlook of the property sector. It is supported by the solid fundamental demand for properties due to young demography, especially in Klang Valley. The Property Division will continue its effort to remain focus on providing innovative, affordable homes and improve its digital initiatives in marketing its product offerings. We will also reduce our unsold inventories and divest idle undeveloped lands to strengthen our operating cash flow position.

**Utility Division**

The worldwide pandemic crisis has made the global and Indonesian economic conditions uncertain and volatile. It is heartening to record a consistent, steady demand of treated water sales. The water concessions has played a significant role by contributing sustainable revenue and profit to the Group in this challenging year. However, the momentum in our planned expansion at both PT. Taman Tirta Sidoarjo and PT. Dewata Bangun Tirta had become uncertain as the resurgence of Covid-19 and targeted containment measures had partly impacted the industrial demand.

# MANAGEMENT DISCUSSION & ANALYSIS

Despite the challenges faced and to ensure daily business operations requirements, a business continuity management process was activated to maintain operational efficiency. Pandemic prevention measures were put in place at all the water treatment plants to sustain quality production and minimise untoward outages. On the production front at the water treatment plants, we have maintained a prudent approach in tackling staff who are Covid-19 infected till recovery. Contingency plans are put in place to focus on daily supply operations and continue uninterrupted with plant personnel on shift rotations.

Against a backdrop of surging infections and high mortality rate, various measures were implemented to assist in minimising the community spread risk of an outbreak at the facilities.

As of 31 May 2021, the 9MW mini-hydropower project at Lintau Sumatera Barat, Indonesia, has achieved construction progress of 94%, and the Commercial Operation Date (COD) has been rescheduled to FYE 2022. Despite being faced with the constraints in the delivery logistics of construction materials impacted by COVID-19 and movement control restrictions, the Division has taken proactive approaches to accomplish the projected COD.

In FYE 2021, we received a Letter of Notification from the Energy Commission (EC) to execute the 5.9MWac Large Scale Solar Photovoltaic Plant, among others, to a new location Tawau, Sabah. The Division is well positioned to finalize the Solar Power Purchase Agreement with Sabah Electric Sdn Bhd and commence work on the project.

*Vicinity view on Headpond, 9MW Mini-hydro Power Plant*

Moving forward, the Division will continue with conservative cost control to maximise financial returns to shareholders. We will remain focus on exploring other business potentials and opportunities.

## OUTLOOK

While the global pandemic has gone on far longer than anyone had predicted, the Group is optimistic that the rollout of vaccines will eventually fuel the achievement of herd immunity, thereby underpinning the global and local economic recovery and supporting the safe reopening of borders.

For FYE 2022, we anticipate the construction sector in Malaysia to remain challenging on the back of the soft economic landscape. However, with our RM525 million order book, we can tide over these two years until the economy bounces back with more infrastructure pump-priming from the Government.

Sales from local property projects were adversely affected during the MCO but gradually recovered following the ease of movement restrictions. Despite weak consumer sentiment due to the Covid-19 pandemic, our Property Division has been resilient, underpinned by strong take-up of newly launched projects. The Property Division remains committed to growing core business segments and reducing inventories.

The profit contribution from our Utility Division has helped to cushion the impact of the Covid-19 pandemic crisis on the Group. We will also capitalize on the growing renewable energy sector's prospects to further grow our business.

The Group will continue to prioritize the safety and well-being of our employees, customers and business associates, and the general public and communities in which we operate. Our focus is also on maintaining a healthy cash flow for the Group during these trying times.

Operationally, we strive to strengthen information technology policies, infrastructure, cybersecurity, and digital work processes to enhance workforce agility and productivity. We are confident that the Company will remain resilient to steer through the uncertain and challenging outlook and are cautiously optimistic of a positive performance in the year ahead.

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**The Board of Directors of Gadang Holdings Berhad (“Gadang” or “Company”) ("Board") 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 2021 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.

The Company has applied all applicable Practices set out in the MCCG 2017 for the financial year ended 31 May 2021 except for:

| | |
|---|---|
| **Practice 7.2** | **The board discloses on a named basis the top five senior management’s remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.** |

The explanation for the departure from Practice 7.2 and measure to be taken are provided in the Corporate Governance Report 2021 of the Company ("CG Report 2021").

This statement is to be read together with the CG Report 2021 which is available on the Company’s website at www.gadang.com.my. The CG Report 2021 provides the details on how the Company has applied each Practice as set out in the MCCG 2017 during the financial year 2021.

## 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

The Board Charter was updated during the year to be in line 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 CEO has been delegated certain powers to execute transactions that are guided by the rules and procedures for the CEO and in accordance with the authority limits as defined and formalized.

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 Huang Shi Chin was appointed as the SID of the Company on 16 August 2021 in place of Mr Boey Tak Kong who was re-designated from Independent Non-Executive Director to Non-Independent Non-Executive Director on 16 August 2021. The specific duties of the SID 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, in addition to corporate secretarial matters. All Directors have access to the Company Secretary.

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 2021 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) | 6/6 (100%) | 5/5 (100%) | 4/4 (100%) | 2/2 (100%) | 1/1 (100%) |
| **Tan Sri Dato' Kok Onn** | 6/6 (100%) | N/A | N/A | N/A | 1/1 (100%) |
| **Boey Tak Kong** | 6/6 (100%) | 5/5 (100%) | 4/4 (100%) | 2/2 (100%) | 1/1 (100%) |
| **Kok Pei Ling** | 6/6 (100%) | N/A | N/A | N/A | 1/1 (100%) |
| **Huang Shi Chin** | 6/6 (100%) | 5/5 (100%) | 4/4 (100%) | 2/2 (100%) | 1/1 (100%) |
| **Sherman Lam Yuen Suen** *(Appointed on 16 August 2021)* | - | - | - | - | - |

**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.

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, 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 Company has also 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

On 16 August 2021, Mr Sherman Lam Yuen Suen was appointed to the Board as the new Independent Non-Executive Director.

As at the date of this statement, the Company has six Directors on the Board, comprising three Independent Non-Executive Directors, one Non-Independent Non-Executive Director 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 meets the requirement that one-third of Board Members be independent as set out in the MMLR of Bursa Securities and MCCG where at least half the Board comprises independent directors.

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 the 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 (12) years, 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 has served as Independent Non-Executive Director for a cumulative terms of more than twelve (12) years, was re-designated as a Non-Independent Non-Executive Director of the Company on 16 August 2021. None of the other Independent Directors has served the Board for more than nine (9) years.

The Board currently has one (1) female Director out of six (6) 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 16.7%. 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**") currently comprises four members, majority of whom are independent non-executive directors. Mr Huang Shi Chin, 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, Mr Boey Tak Kong and Mr Sherman Lam Yuen Suen.

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 2021, 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 28th 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.
- Reviewed and recommended candidate to the Board for appointment.

(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.

At this forthcoming AGM, Tan Sri Dato' Kok Onn and Mr Huang Shi Chin will be due for retirement pursuant to Clause 108 of the Company's Constitution. Mr Sherman Lam Yuen Suen, the newly appointed Director, will also submit himself for retirement pursuant to Clause 115 of the Company's Constitution. Tan Sri Dato' Kok Onn, Mr Huang Shi Chin and Mr Sherman Lam Yuen Suen, being eligible, have offered themselves for re-election.

As evaluated by the NRC and approved by the Board, 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. During the year under review, the evaluation which was conducted internally, 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.

Based on the findings of the evaluation, the Board is satisfied that the Board has continued to perform well in discharging its responsibilities. The Board Committees have discharged their functions and duties adequately in accordance with their respective terms of reference. The individual Directors have 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.

The details of the seminars and training programmes attended by the Directors during the financial year ended 31 May 2021 are set out below:-

| Name of Director | Training Programme/Conference/Seminar |
|---|---|
| **Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican** | • Anti-Bribery and Corruption, Code of Ethics and Conduct Policy<br>• The Asian Pacific Association for the Study of Liver (APASL) Hepatology Webinar "Control of COVID-19 in Taiwan" "Acute-on-chronic Liver Failure-an Update"<br>• Virtual Gut 2020 – Annual Scientific Meeting of the Malaysian Society of Gastroenterology & Hepatology (MSGH) |
| **Tan Sri Dato' Kok Onn** | • Anti-Bribery and Corruption, Code of Ethics and Conduct Policy |
| **Boey Tak Kong** | • Managing Liquidity Post-MCO: Guidelines For Business Recovery<br>• Merger Control in Malaysia: Implications and Lessons from Other Jurisdictions<br>• Influencing without Authority<br>• Managing Change in Disruptive Times<br>• Weathering the Storm: From Reactive to Proactive: Charting Your Course<br>• Tackling Anxiety Through Emotional Intelligence<br>• Asia Pacific Thought Leadership Virtual Forum – Rethinking Business Partnering – The New Way Forward<br>• Embracing Radical Change in the New Norm<br>• Business Unusual: Prospects Beyond the Pandemic<br>• KPMG Captains' Forum: Transformation towards recovery Session 1: Financial Resilience<br>• Business Unusual: Buying Through a Court-Ordered Insolvency Process from a Buyer's Perspective<br>• KPMG Captains' Forum: Transformation towards recovery, Session 2: Operational Resilience<br>• M&A Due Diligence: Managing Potential Third-Party Risks Before and after the Acquisition<br>• Alternative Fund Raising – Leveraging non-listed opportunities in the Capital Market Forum<br>• Analytics & Big Data for Accountants<br>• The Future of Sales Talent – Understand the Full Picture<br>• ESG perspective: Managing Recovery and Resilience<br>• Fraud Risk Management Workshop<br>• ESG Shariah-Compliant Screening for Equities<br>• Improving Public Sector Governance Through Financial Reporting<br>• Distressed/Opportunities M&As<br>• Managing Risks in Construction Contracts Across Asia Pacific<br>• How Integrated Thinking can support Boards in creating long-term value<br>• The Four Elements of Wellbeing on How to Reduce Stress and Improve your Performance<br>• Third Party Risk: How to Best Design Valuable Partner Audits<br>• Scarcity of Digital Talents – Our Collective Responsibility?<br>• Bend Your Reality with Resilient Mind-set<br>• Transfer Pricing<br>• Integrated Reporting: The ASEAN Experience<br>• Building A Resilient Business Through Sustainability<br>• Environment, Social, Governance (ESG) Investing<br>• Board and Audit Committee Priorities 2021<br>• The Rise of AI and its Impact on Strategy and Business |

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

| Name of Director | Training Programme/Conference/Seminar |
|---|---|
| **Kok Pei Ling** | • Anti-Bribery and Corruption, Code of Ethics and Conduct Policy<br>• ESG Webinar for FTSE4 Good Bursa Malaysia Index<br>• Fraud Risk Management Workshop |
| **Huang Shi Chin** | • Anti-Bribery and Corruption, Code of Ethics and Conduct Policy |

## 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 2021 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 Director** | | | | | | |
| Tan Sri Dato' Kok Onn | - | 1,358,500 | - | 21,741 | 49,600 | 1,429,841 |
| Kok Pei Ling | - | 532,350 | 64,805 | 19,566 | 24,250 | 640,971 |
| **Non-Executive Directors** | | | | | | |
| Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican | 100,000 | - | 18,000 | - | - | 118,000 |
| Boey Tak Kong | 80,000 | - | 18,000 | 5,589 | - | 103,589 |
| Huang Shi Chin | 60,000 | - | 18,000 | - | - | 78,000 |
| **Total** | **240,000** | **1,890,850** | **118,805** | **46,896** | **73,850** | **2,370,401** |

(1) *Approval obtained as a lump sum at the AGM for the financial year ended 31 May 2021*
(2) *Other emoluments for Non-Executive Directors include 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## 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 two (2) other members of the AC are also members of Malaysian Institute of Accountants.

The current AC comprises four (4) members, majority of whom are independent non-executive directors. 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 Auditor**

Through the Audit Committee, 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 Audit Committee 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 Audit Committee also meets with the external auditors whenever it deems necessary. In addition, the external auditors are also invited to attend the Annual General Meeting ("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 Audit Committee 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 Audit Committee 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 Audit Committee has also requested 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. After having satisfied itself with their performance, the Audit Committee will recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the AGM.

### II Risk Management and Internal Control Framework

The Board, with the assistance from the Risk Management Committee (RMC) (comprises of the heads from each business function) 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 current BRC comprises four (4) members, majority of whom are 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 Group Internal Audit 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 principles and guidelines promulgated by The Institute of Internal Auditors ("IIA") in International Professional Practices Framework (IPPF) for an internal audit function to be considered effective has been adopted.

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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**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 Annual General Meeting (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 27$^{th}$ AGM on 11 November 2020 with the Notice and Agenda of the AGM issued to the shareholders on 29 September 2020 (this being 42 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 Company's 27$^{th}$ AGM held on 11 November 2020 was conducted entirely through live streaming from the Broadcast Venue as part of the Company's effort to curb the spread of COVID-19. All the Directors attended the 27$^{th}$ AGM at the Broadcast Venue. The Senior Management of the Company participated the 27$^{th}$ AGM remotely via video conferencing. The Chief Financial Officer (CFO) conducted a brief presentation on the Group's performance for the year and its business outlook. Shareholders who participated at the 27$^{th}$ AGM were able to submit questions during the AGM for the Company to respond. 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 Corporate Governance Overview Statement was approved by the Board on 1 September 2021.

# AUDIT COMMITTEE REPORT

## A. MEMBERSHIP

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

Mr Sherman Lam Yuen Suen – Chairman/Independent Director
*(Appointed as Chairman on 16 August 2021)*

Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican – Independent Director

Huang Shi Chin – Independent Director

Boey Tak Kong – Non-Independent Director
*(Redesignated as member on 16 August 2021)*

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 four AC members are Non-Executive Directors, with a majority of them being Independent Directors. None of the AC members has appointed alternate directors.

Mr Sherman Lam Yuen Suen, 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 2021.

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, Head of Risk & Compliance 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 pages 35 to 36 of the Company's Annual Report 2021.

## 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 2021 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 4$^{th}$ quarter 2020, 1$^{st}$ quarter 2021, 2$^{nd}$ quarter 2021 and 3$^{rd}$ quarter 2021 were deliberated at the AC meetings held on 29 July 2020, 21 October 2020, 27 January 2021 and 28 April 2021 respectively.

   b. The audited financial statements of the Company and the Group for the year ended 31 May 2020 were deliberated at AC meeting held on 2 September 2020.

   The review was to ensure the disclosure of information presented a true and fair view of the Company'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.

# AUDIT COMMITTEE REPORT

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 2020 Annual Report were reviewed and deliberated at its meeting held on 2 September 2020 before their release to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

3. **External Audit**

   a. On 29 July 2020 and 2 September 2020, the AC reviewed the findings of the External Auditors' reports for the financial year ended 31 May 2020, particularly the issues raised on goodwill impairment, revenue recognition and construction work in progress 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 2 September 2020, 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 2020. 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 29 July 2020 and 2 September 2020 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 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 2 September 2020 undertook an annual assessment on the performance and effectiveness of the External Auditors for the financial year ended 31 May 2020, 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 2021.

   e. To fulfil its responsibility for oversight of the external audit process, the AC on 28 April 2021 reviewed and discussed with the External Auditors, the audit plan of the Company and of the Group for year 2021 (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 2021 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:-

| | 2021 | |
|---|---|---|
| | **Group RM** | **Company RM** |
| Statutory audit fees | 372,000 | 70,000 |
| Non-audit fees (for Taxation Affairs) | 98,900 | 5,300 |
| **Total** | **470,900** | **75,300** |

**4. Internal Audit Function**

a. On 29 July 2020, 21 October 2020, 27 January 2021 and 28 April 2021, the AC reviewed the internal audit reports, auditor's recommendations and Management's responses to each recommendation.

b. On 27 January 2021, the AC reviewed the 2021 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 2 September 2020, 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 Group Internal Audit ("**GIA**") carries out the internal audit function for the Group. 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 GIA, who reports directly to the AC. The GIA is led by the Head, 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's degree in Commerce (Major in Accounting) and is a Certified Information System Auditor (CISA).

# AUDIT COMMITTEE REPORT

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.

The internal audit adopts the proprietary risk-based internal audit methodology, which is aligned to the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

The internal audit also adopts the five components set in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) i.e. control environment, risk assessment, control activities, information and communication, and monitoring activities. COSO is an internationally recognised organisation providing guidance on internal control, enterprise risk management and governance.

During the financial year 2021, the GIA undertook the following audit activities:-

a. prepared the internal audit plan 2021, which was reviewed and approved by the Audit Committee, and updated where necessary.

b. completed a total of six audit engagements (June 2020 to May 2021) covering the following processes:

   i) Business process review – TRX Project C3 budgeting and costing management covering the following audit scope:
      - Policy, roles and responsibilities
      - Project budgeting and costing
      - Monitoring and reporting of costing/profitability
      - Interim payment management and follow up with client

   ii) Business process review – Package V206 budgeting and costing management covering the following audit scope:
      - Policy, roles and responsibilities
      - Project budgeting and costing
      - Monitoring and reporting of costing/profitability
      - Interim payment mgmt. & follow up with client

   iii) Business process review – TRX C6 budgeting and costing management covering the following:
      - Policy, roles and responsibilities
      - Project budgeting and costing
      - Monitoring and reporting of costing/profitability
      - Interim payment mgmt. & follow up with client

   iv) Business process review – Regional Utilities Sdn. Bhd. (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

v) Business process review – Anti bribery and Corruption covering the following scope:
- Gadang group of companies' Anti-bribery & corruption policy are aligned with Section 17A of the MACC amendment Act 2018
- Implementation, communication, compliance and reporting

vi) Business process review – TRX Project C3 material requisition approval and receive management covering the following section:
- Material requisition, purchasing cycle and approval matrix
- Material management and documentation
- Back charge management
- Unused material records and 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 RM400,814 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 Company'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 Company and its active subsidiary companies, collectively referred to as the "Group", 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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## KEY FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL

### 1. Risk management

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

**Enterprise Risk Management Framework**

**ERM Infrastructure**

- Vision / Mission / Goals
- Governance Structure
- Board / Management Mandate
- ERM Policy & Procedures (ISO 31000 : 2018)
- Anti-Bribery & Corruption Policy
- Whistleblowing Policy & Procedures
- Sustainability Reporting Framework

**ERM Process**

01 Quarterly initiation of risk review and reporting by Risk & Sustainability Facilitator

02 Risk assessment *(Identify, analyse & evaluate)*

03 Risk action implementation *(Develop key action plans)*

04 Risk reporting & action monitoring on a quarterly basis *(Monitor & report on implementation of action plans)*

05 Continuous monitoring & embedment *(Embedment of new internal controls)*

**ERM Integration**

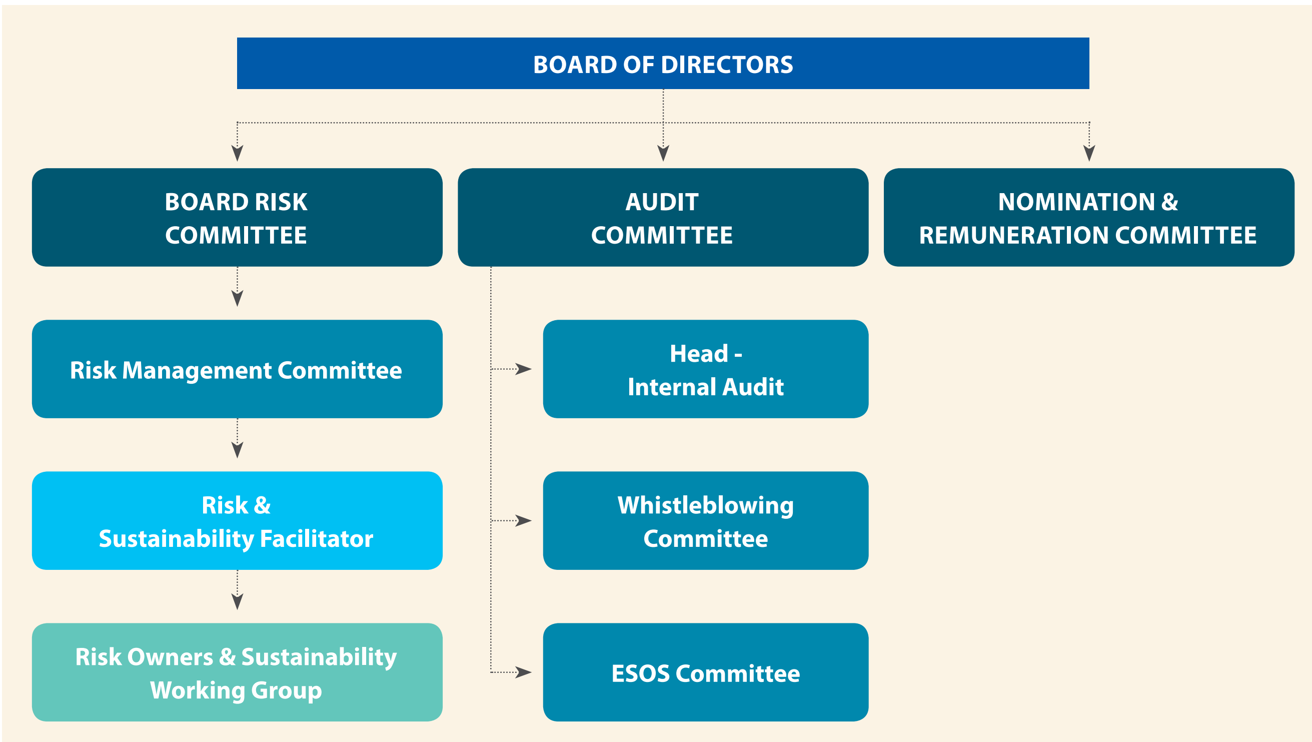
- Code of Ethics & Conduct
- Business Planning
- Standard Operating Policies & Procedures
- Investments / Joint Ventures
- Decision Making
- Sustainability Targets
- Performance Management
- Internal Audit
- ISO 9001 : 2015 Quality Management System
- ISO 45001 : 2018 Occupational Health & Safety Management System
- ISO 14001 : 2015 Environmental Management System

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 ensured that the Group's Anti-Bribery & Corruption Policy and Whistleblowing Policy & Procedures are reviewed annually to assess its effectiveness and concluded that no change was required. These policies and procedures which are integrated into the Group's Code of Ethics & Conduct are published on the Company's website. Corruption risk assessment was conducted annually to identify probable corruption risks across our operations and to ensure that preventive controls are put in place. The outcome of corruption risk assessment and conflict of interest assessment were presented to the Board for deliberation. No significant issues or concerns were reported.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Board reviewed and approved the updates on the Group's governance structure as illustrated below.




The Board has a Board Risk Committee ("BRC") where majority of the BRC members are independent directors. Its Terms of Reference included 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 Group continued with its sustainability reporting which integrates Economic, Environmental and Social risks and opportunities into the Group's risk framework to reduce exposure to both financial and non-financial risks, improve productivity and optimise operating cost. The Gadang sustainability pillars i.e. Business Front, Environment, Workplace and Community serve as our strong foundation to support business continuity and ensure competitiveness especially during the Covid-19 pandemic. Please refer to the Sustainability Statement on page 57 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 ("SOPs"). Operational risks that cut across the

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

organisation including those relating to treasury management, transfer pricing and sustainability are coordinated centrally.

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

Project completion

The Covid-19 pandemic has caused major disruptions to the economy as a whole, and the construction industry is not spared. Multiple Movement Control Orders ("MCOs") were issued by the Government ever since the start of the pandemic last year and the effects are still ongoing. These had posed extra challenges to our construction projects in terms of site workers being infected with Covid-19, quarantine of site workers, contact tracing and swab tests, stop work order and other compliance procedures which includes frequent sanitising of premises. Amidst this backdrop, project completion delays are inevitable, however, our project teams continue to mitigate Liquidated & Ascertained Damages ("LAD") risk by engaging the project owners as and when the need arises, documenting the application for extension of time as and when necessary, supported by the justifications. The construction risks were highlighted to the Board, with root causes identified, the impacts and mitigating action plans. The 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 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. Our Special Task Force for Covid-19 led by our CFO and supported by our senior management continued to manage issues related to Covid-19 to ensure the smooth implementation of the Covid-19 response and mitigation strategies. We also set up Gadang Headquarters ("HQ") Covid Careline Team which is led by Group Human Capital Department to respond to any positive Covid-19 case in the Group. Its objective is to ensure smooth and prompt communication to the Management and to provide immediate attention to all positive tested employees. Various guidelines and SOPs were established and implemented across the Group to ensure the health and safety of employees are protected. Group Health, Safety and Environment Department also conducted Covid-19 audits at the 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 the 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 which are able to identify employees even when they are wearing a protective mask. Face recognition attendance system is also implemented at majority of our project sites such as Mass Rapid Transit Line 2 – V206, Cyberjaya Hospital, East Coast Rail Link ("ECRL") Section 5, ECRL Section 6 and Serendah plant and machinery yard.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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.

Inventory risk

The demand for properties was affected by the weak economic condition where the industry saw a decline in the number of home seekers due to the banks tightening their lending policies and an oversupply of residential products in the market. Whilst bookings for completed developments were still recorded, the sales and purchase process were halted due to MCO restrictions. The property market is expected to continue to be challenging as the pandemic has yet to be brought under control and MCOs that are imposed by the Government have prevented our sales galleries from operating. Depending on the locations, landed residential properties will be more saleable while the huge overhang of high-rise residences, especially serviced apartments remain challenging. 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 developed our virtual reality show units to market and connect with our potential purchasers. Purchasers are able to visit the virtual version of Elegan Residensi and Akasia Semenyih show units at anytime and anyplace through the website www.elegan.com.my and www.akasiasemenyih.com.my respectively without having to travel to the physical show units.

b. 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 security features. We upgraded the Endpoint Security Protection for HQ's IT Infrastructure and implemented Network Attached Storage ("NAS") for Gadang Land Sdn Bhd. Illegal downloads of software are prohibited and monitored by the IT Department through random software audits. No incident of data breaches was reported. The IT Policy & Procedure and Disaster Recovery Plan were reviewed and revised during the year.

c. 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 continuous impact of the pandemic has resulted in more stringent SOPs which suspended and deferred project progress, resulting in higher implementation costs for ongoing projects. Overhead cost was higher due to extended time required to complete the projects, on top of additional Covid-19 related costs incurred. The project leaders continue to record and register those costs which may be claimable from the project owners.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Order book replenishment prospects are expected to be challenging due to the reduction in Government infrastructure spending. The revival of some major infrastructure projects, such as the MRT 3, will play a crucial role in pump-priming the domestic economy. Besides tendering for Federal Government projects, the division will also be exploring State Government projects as well as private sector projects in Malaysia and Singapore.

The property market remains subdued and soft, amid the oversupply of residential and commercial properties and poor buyer sentiments, more so during the Covid-19 pandemic. 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 more resilient. More innovative and aggressive marketing strategies are implemented to accelerate sales.

d. 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 page 57.

e. 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 2020 to 2021 audit plan based on risk based internal audit ("RBIA") approach in January 2021. 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 identify, design and recommend effective controls requirements to 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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 the 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 page 44.

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 the 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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 plan policy is in place, requiring all business divisions to prepare business plans for the forthcoming year. The Heads of Divisions present the business plans 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 for implementation. A half yearly business plan review is conducted to monitor the business performance and keep the Board updated with the progress of each division to ensure that the Group is aligned to the business strategies set earlier.

   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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**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 Group 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 Group's resources.

## 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 1 September 2021.

# ADDITIONAL COMPLIANCE INFORMATION

## • Utilisation of Proceeds raised from Corporate Proposals

There were no proceeds raised from corporate proposals during the financial year.

## • 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 11 November 2020, 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 ("Recurrent Transactions") with a related party.

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 2021 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 ("TSDKO") who is the Managing Director cum Chief Executive Officer and major shareholder of Gadang | Provision of sub-contract works | Gadang Group | 4,787,189 |

## • 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 2021 with information as follows:-

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

| | As at 31 May 2021 | |
|---|---|---|
| | 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 | (21,584,000) | (1,035,000) |
| Total options outstanding | 63,624,800 | 4,875,900 |

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

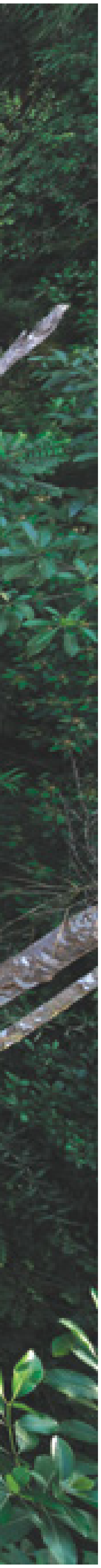
| Granted to Directors & Senior Management | During the financial year ended 31 May 2021 | Since commencement of the ESOS on 6 December 2016 |
|---|---|---|
| Aggregate maximum allocation in percentage | 50.0% | 50.0% |
| Actual percentage granted | - | 40.2% |

c) The options applicable to Non-Executive Director in respect of the financial year ended 31 May 2021

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

# SUSTAINABILITY STATEMENT

# SUSTAINABILITY STATEMENT



## ABOUT THIS SUSTAINABILITY STATEMENT

Gadang Holdings Berhad ("Gadang") is committed to embed sustainability elements from Economic, Environmental and Social ("EES") in our daily operations across all the business sectors to perpetually pursue value for all our stakeholders. The unprecedented impacts of the Covid-19 pandemic has further strengthened our belief on the importance of Gadang Sustainability Pillars to support business continuity and competitiveness over the long term in order to achieve our vision.

In this financial year, we continue to manage the impacts from Covid-19 pandemic especially in the areas of project management and occupational health and safety. We remain committed to manage our environmental impacts and to uphold high standards of corporate governance to safeguard the interests of the business and all stakeholders. It is our aspiration to grow our reputation and deliver long-term value to our stakeholders as we create tomorrow and beyond. While the challenges ahead are undeniable, the efforts of our employees and leadership team inspire confidence in our long-term success. With the trust and support of our investors and stakeholders amid challenging times, we are encouraged to continue to move forward and seize opportunities as we build a more sustainable future.

### GADANG SUSTAINABILITY PILLARS

**ECONOMIC**

**Business Front**

Deliver quality products & services and maintain good corporate governance

**ENVIRONMENTAL**

**Environment**

Manage the environmental impacts in the areas that we operate

**SOCIAL**

**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

This Statement covers the Group's sustainability management and performance data from 1 June 2020 to 31 May 2021 and the comparative data where applicable.

### REPORTING CYCLE

Annually

### REPORTING GUIDE

- Bursa Malaysia's Main Market Listing Requirement
- Bursa Malaysia's Sustainability Reporting Guide - 2nd Edition
- United Nations Sustainable Development Goals

### 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 : sustainability@gadang.com.my

# SUSTAINABILITY STATEMENT

## REPORTING SCOPE

The reporting scope encompasses Gadang and our active subsidiaries, except for Yi Sheng Foundation Pte Ltd ("YSF") which we acquired as a wholly-owned subsidiary of Gadang Engineering (M) Sdn Bhd in December 2019 but only executed a small maiden project in 2020. We shall include YSF in the next reporting year now that it has secured a new project valued at SGD 2.45 million and will be tendering for more projects in Singapore. Gadang and our active subsidiaries are collectively referred to as the "Company" or "Group" including Utility Division which is operating in Indonesia. We have four water treatment plants in Indonesia with a total water production capacity close to 1,100 litre / second and a mini-hydro power plant which is under construction.

### 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")
- North-South Steel bridge at Tun Razak Exchange ("TRX Package C9")
- East Coast Rail Link Section 5 ("ECRL S5")
- East Coast Rail Link Section 6 ("ECRL S6")

### PROPERTY DEVELOPMENT

- Mandy Corporation Sdn Bhd ("MCSB")
- Gadang Land Sdn Bhd ("GLSB")
  - → Hillstrand Development Sdn Bhd
  - → Tema Warisan Sdn Bhd
  - → Natural Domain Sdn Bhd
  - → Crimson Villa Sdn Bhd

**Key Projects**
- Phase 2, Maple Residence
- Elegan Residensi @ Taman Putra Perdana
- The Vyne (Phase 3, Block E)
- Akasia Semenyih

### 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")

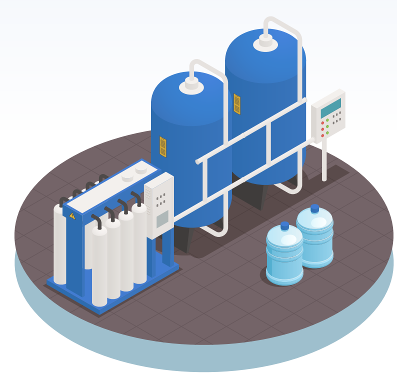


***Diagram 2** - Our Reporting Scope*

## INDEPENDENT ASSURANCE

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

## 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 in the management of Gadang's sustainability matters. 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 Key Result Areas ("KRAs") and Key Performance Indicators ("KPIs") are aligned to business plan and objectives to ensure business continuity and long-term stakeholder value creation. This clear lines of accountability enable us to foster a culture of sustainability throughout the Group.

In addition, we review our sustainability governance structure annually to ensure the roles and responsibilities remain relevant in tandem with the changes in the business environment.

### BOARD OF DIRECTORS ("BOARD")

- Reviews and approves 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
- Reviews annually and approves the outcome of materiality assessment
- Approves the Sustainability Statement for inclusion in the Annual Report

### 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

Engagement with our stakeholders is fundamental for us to understand their needs and concerns in order to align their key interest with our Company's strategies and business operations. Amidst the Covid-19 pandemic, we continue to engage with our stakeholders regularly via various communication channels. Engagements with stakeholders are mostly carried out via virtual platforms to protect the safety of our stakeholders and employees. Through the stakeholder engagement, we are able to identify and assess the material sustainability matters across the Group. 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<br>• Annual General Meeting<br>• Corporate / Company events<br>• Email correspondences<br>• Stakeholder Engagement Surveys | • Business strategy<br>• Financial performance<br>• Environmental practices<br>• Human capital management<br>• Client satisfaction<br>• Occupational Health & Safety | Aligned strategic plans that maximise shareholders' value | Business Front, Environment & Workplace, pg. 70 - 89 |
| **Investors / Shareholders** | • Annual General Meeting<br>• Investor relation activities<br>• Public announcements<br>• Corporate website<br>• Annual report | • Financial performance<br>• Quality of services & operations<br>• Information security<br>• Timely & transparent disclosure<br>• Environmental practices<br>• Business ethics & compliance including Anti-Bribery & Corruption | Positive reputation amongst investors / shareholders | Business Front & Environment, pg. 70 - 81 |
| **Employees** | • Regular meetings<br>• Learning & development programme<br>• Campaigns<br>• Sports Club activities<br>• Stakeholder Engagement Surveys<br>• Sustainability activities | • Information security<br>• Fair employment practices<br>• Staff development & training<br>• Company performance<br>• Business ethics & compliance<br>• Occupational Health & Safety | Improved staff engagement | Business Front, pg. 70 - 75 & Workplace, pg. 82 - 89 |
| **Clients / Customers** | • Client / customer satisfaction surveys<br>• Sales & marketing channels of business divisions<br>• Exhibitions<br>• Corporate website<br>• Stakeholder Engagement Surveys | • Accessible & affordable housing<br>• Quality of services & operations<br>• Information security<br>• Environmental practices | Recurring business opportunities | Business Front, Environment, pg. 70 - 81 & Community, pg. 90 - 91 |

| STAKEHOLDER GROUP | ENGAGEMENT CHANNEL | FOCUS AREA | OUTCOME | OUR RESPONSE *(Kindly refer to respective sections of the statement)* |
|---|---|---|---|---|
| **Government / Regulatory Authorities** | • Ad hoc public invitations<br>• Site visits<br>• Conferences<br>• Participation in organised programmes<br>• Stakeholder Engagement Surveys | • Information security<br>• Compliance to regulatory requirements<br>• Business ethics & compliance | Better understanding of Company's sustainability commitment<br><br>Compliance with laws & regulations | Business Front & Environment, pg. 70 - 81 |
| **Contractors, Vendors, Suppliers** | • Supplier / Subcontractor evaluations<br>• Regular meetings<br>• Stakeholder Engagement Surveys | • Corporate governance practices<br>• Terms of contract & payment<br>• Client satisfaction<br>• Occupational Health & Safety<br>• Staff development & training | Better understanding of Company's sustainability commitment | Business Front, pg. 70 - 75 & Workplace, pg. 82 - 89 |
| **Business Partners** | • On-going communication & visits | • Collaboration & market synergy<br>• Occupational Health & Safety<br>• Staff development & training | Recurring business opportunities | Business Front, pg. 70 - 75 & Workplace, pg. 82 - 89 |
| **Media / Analyst** | • Press conferences<br>• Media releases / interviews<br>• Ad hoc meetings | • Timely & transparent disclosure<br>• Environmental practices | Better understanding of Company's performance | Business Front & Environment, pg. 70 - 81 |
| **Local Communities / NGOs** | • Meetings & visits<br>• Community development programmes | • Accessible & affordable housing<br>• Environmental practices<br>• Community development<br>• Contribution to society | Better social relationship | Environment, pg. 76 - 81 & Community, pg. 90 - 91 |

***Table 1** - Details of Our Engagement with Stakeholders*

# SUSTAINABILITY STATEMENT

## 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. 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. 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. Our structured materiality assessment process are detailed in ***Diagram 4***.

**REVIEW**

**01.**

We reviewed the relevancy of sustainability matters using information from **internal** (i.e. management data, risk register, interviews' feedback from stakeholders) & **external** sources (e.g. Bursa Malaysia's Sustainability Reporting Guide) & relevant industry-specific references & publications).

**PRIORITISE**

**02.**

From the list of identified matters, we prioritised matters based on the significance of Gadang's EES impacts & identified material interests & expectations of various stakeholders. This list of identified matters also formed the basis for our dialogue with stakeholders. Based on a structured stakeholder prioritisation exercise, we have identified our key stakeholders – with high level of influence & dependence over Gadang, who were subsequently engaged to rank the list of sustainability matters & provide feedback on any additional issues which they deemed as important to our business.

**INTEGRATE**

**03.**

We examined the results of prioritisation & validated material matters with the Risk Management Committee & Board. The outcome of the materiality assessment is presented in a matrix and approved by Board.

**UPDATE**

**04.**

We updated our materiality assessment periodically in light of changes against the business landscape, emerging global & national trends, regulatory development, as well as stakeholder opinions.

***Diagram 4*** *- Materiality Assessment Process*

In view of the Covid-19 pandemic, we undertook different approach in reviewing the relevancy of the previous year's sustainability matters to our business and stakeholders. Instead of organising our usual once-a-year interaction meeting with our Sustainability Working Group ("SWG") members, we developed a SWG Template to collate inputs from the 32 SWG members, representatives of Management across various business functions. The SWG members were encouraged to submit their inputs either individually or via group discussion of not more than three persons to reduce the risk of exposure to Covid-19. During this exercise, we identified digitalisation as a new material sustainability matter in adapting to the Covid-19 pandemic and ensuring business as usual. The other 16 sustainability matters remain relevant for current financial year.

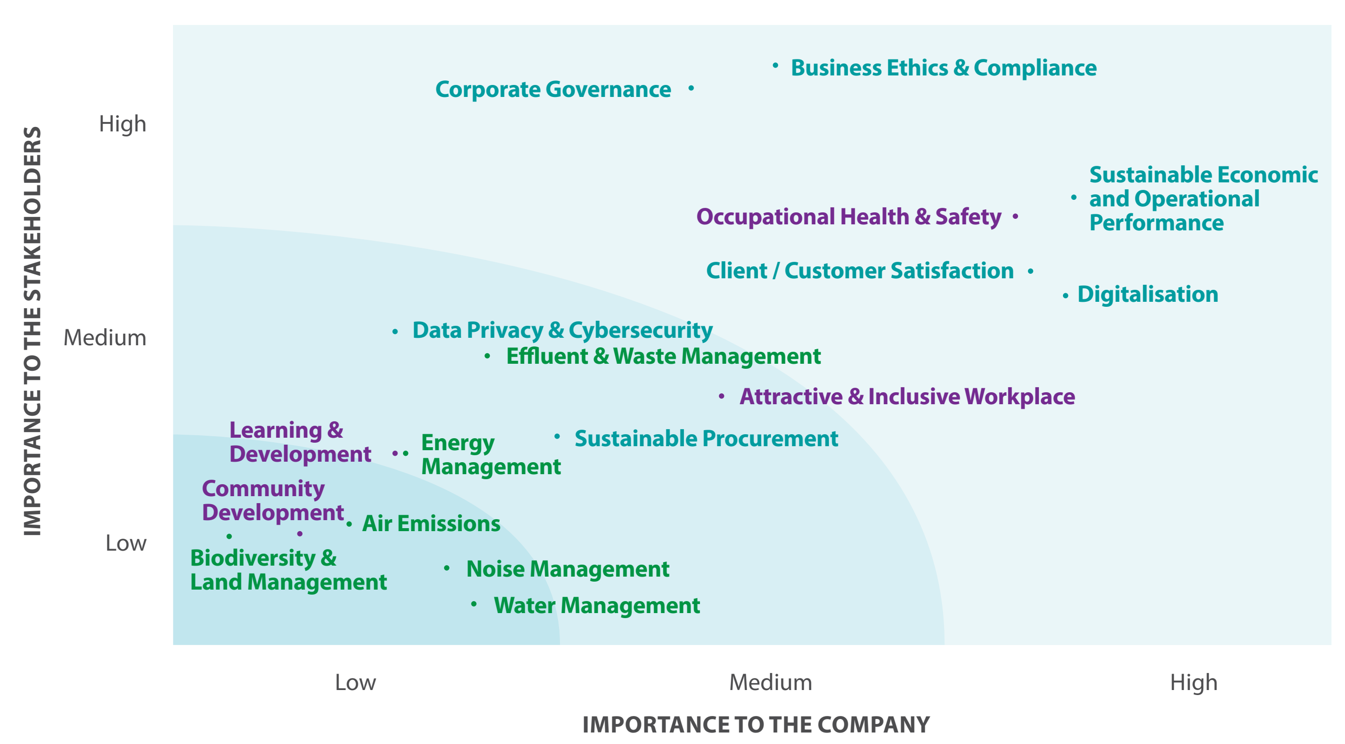
Annually, we engage our key stakeholders, i.e. Board of Directors, employees, contractors, vendors, suppliers, clients, shareholders and regulatory authorities, through surveys to gauge their perceptions on the level of importance of identified sustainability matters to ensure that the sustainability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

The results from the SWG Template and data collected from the surveys are used to update the materiality matrix as shown in ***Diagram 5*** and presented to RMC and Board for approval.

**Inputs collected from SWG Template**

1. Scoping
2. Review of relevancy of sustainability matters
3. Materiality assessment on sustainability matters
4. Stakeholder prioritisation
5. Inputs for sustainability initiative

**MATERIALITY MATRIX**




| 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*

# SUSTAINABILITY STATEMENT

Based on the Materiality Matrix, the following are the material sustainability matters which are consistent with last year's.

- **Sustainable Economic & Operational Performance**
- **Client / Customer Satisfaction**
- **Corporate Governance**
- **Occupational Health & Safety**

We shall continue to manage these and in addition to that, our stakeholders have increased concern on Business Ethics & Compliance due to Malaysian Anti-Corruption Commission ("MACC") Act 2009 and more rules and regulations issued by Government authorities to combat Covid-19 pandemic including new rules for employees' minimum housing standards. Furthermore, it is important to move towards digitalisation especially when employees are required to work from home due to Movement Control Order ("MCO") and ongoing practice of social distancing which resulted in most of the meetings being conducted online. Therefore, we have included these two sustainability matters as our material sustainability matters for FYE 2021.

The six material sustainability matters mapped to the United Nations Sustainable Development Goals ("UNSDGs") are shown in the table below:

| MATERIAL SUSTAINABILITY MATTERS | UNSDGs | WHY IS IT IMPORTANT | HOW IT IS MANAGED |
|---|---|---|---|
| **Sustainable Economic & Operational Performance** | 11 SUSTAINABLE CITIES AND COMMUNITIES<br>12 RESPONSIBLE CONSUMPTION AND PRODUCTION | • Improvement of processes & optimisation of resources to drive the efficiency and success of projects<br>• Minimise waste generation while saving costs<br>• Create long-term shared value with business partners & employees<br>• Ensure that projects meet industry relevant quality assessment ratings | Refer to Sustaining Business Performance, pg. 70 |
| **Client / Customer Satisfaction** | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE<br>11 SUSTAINABLE CITIES AND COMMUNITIES | • Maintain good reputation<br>• Improved relationship with clients<br>• Recurring business | Refer to Handling Client / Customer Expectations, pg. 73 |
| **Corporate Governance** | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | • Enhance stakeholders' confidence<br>• Improve transparency and accountability | Refer to Fostering Good Corporate Governance, pg. 73 |

| MATERIAL SUSTAINABILITY MATTERS | UNSDGs | WHY IS IT IMPORTANT | HOW IT IS MANAGED |
|---|---|---|---|
| **Business Ethics & Compliance** | 10 REDUCED INEQUALITIES; 11 SUSTAINABLE CITIES AND COMMUNITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS; 17 PARTNERSHIPS FOR THE GOALS | • Ensure business is operated with integrity, transparency & accountability | Refer to Effective Business Ethics & Compliance Programs, pg. 73 |
| **Digitalisation** | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | • Improves efficiency and productivity<br>• Enhance competitiveness and sustain business continuity | Refer to Digitalisation, pg. 74 |
| **Occupational Health & Safety** | 8 DECENT WORK AND ECONOMIC GROWTH | • Zero fatalities<br>• Maintain a safe & healthy working environment for employees | Refer to Our Response to Covid-19, pg. 82 and Occupational Health & Safety, pg. 85 |

***Table 2*** *- Material Sustainability Matters*

# SUSTAINABILITY STATEMENT

## *Our FYE 2021 Sustainability Targets which contribute towards the achievement of UNSDGs.*

### BUSINESS FRONT

#### SUSTAINABLE ECONOMIC & OPERATIONAL PERFORMANCE TARGETS & RESULTS

11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

**Obtain Provisional GBI Platinum for Cyberjaya Hospital**
✓ Achieved

**Renew CIDB G7 SCORE 5 Stars**
✓ Achieved

**Renew ISO 9001: 2015 QMS**
✓ Completed for GESB, HTB & TTS

**Dispose non-productive assets at Net Book Value of RM2 million**
✓ Achieved
**Disposal / Write off: RM3.2 million**
**Cash inflow: RM6.2 million**
**Gain: RM3.0 million**

**Obtain Excellent Subcontractor of ECRL Project 2020**
✓ Achieved

#### CLIENT / CUSTOMER SATISFACTION TARGETS & RESULTS

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES

**Client satisfaction score of 70% and above**
✓ Achieved

**Customer satisfaction score of 80% and above**
✓ Achieved

#### CORPORATE GOVERNANCE TARGETS & RESULTS

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

**Revise SOPs**
✓ Completed
1. **Related Party Transactions & Recurrent Related Party Transactions**
2. **Risk Management Policy**
3. **Sustainability Reporting Framework**

**Complete self assessment on Bursa's Sustainability Disclosure Review 2020**
✓ Completed

***Diagram 6*** *– Sustainability Targets*

## BUSINESS ETHICS & COMPLIANCE TARGETS & RESULTS

**Revise Code of Ethics & Conduct ("COEC") and issue Anti-Bribery & Corruption ("ABC") Policy**
✓ Completed

**Incorporate new clause on prohibition of bribery in contracts with external parties**
✓ Completed

**Complete risk assessment for Conflict of Interest ("COI") declarations made by Directors & Employees**
✓ Completed

**Implement 3rd Party Declaration on compliance with ABC Policy**
✓ Completed

**Initiate data collection for COEC & ABC in Sustainability Template**
✓ Completed

### COMPLIANCE

Policies | Law | Regulations | Standards

## DIGITALISATION TARGETS & RESULTS

**Implement web-based solution for consolidation & reporting**
✓ Completed

**Implement Video Conferencing Solution Suite for HQ and Cyberjaya Hospital**
✓ Completed

**Invest in Autodesk BIM 360° Docs, a construction document management software for Cyberjaya Hospital**
✓ Completed

## DATA PRIVACY & CYBERSECURITY TARGETS & RESULTS

**Implement NAS for Gadang Land Sdn Bhd**
✓ Completed

**Revise IT Policy & Procedure and Disaster Recovery Plan**
✓ Completed

**Upgrade Endpoint Security Protection for HQ's IT Infrastructure**
✓ Completed

**ZERO Data Breaches**
✓ Achieved

***Diagram 6** – Sustainability Targets (continued)*

# SUSTAINABILITY STATEMENT

## ENVIRONMENT

### BIODIVERSITY & LAND MANAGEMENT TARGETS & RESULTS

13 CLIMATE ACTION | 15 LIFE ON LAND

**Organise MRT LINE 2 - V206 Erosion & Sediment Control Campaign**
✓ Completed

### EFFLUENT & WASTE MANAGEMENT TARGETS & RESULTS

6 CLEAN WATER AND SANITATION | 13 CLIMATE ACTION | 15 LIFE ON LAND

E-WASTE

**Dispose e-waste via vendor authorised by DOE**
✓ Completed

## WORKPLACE

8 DECENT WORK AND ECONOMIC GROWTH

### OCCUPATIONAL HEALTH & SAFETY TARGETS & RESULTS

**Obtain MSOSH Silver Award: Good 2019 OSH Performance for TRX Public Realm Works C6**
✓ Achieved

**Revise Policy Statement on Health, Safety and Environment**
✓ Completed

**Organise 2 HSE Campaigns MRT LINE 2 - V206**
✓ Completed
1. Combat Covid-19
2. Dengue Prevention

**ZERO FATALITIES**
✓ Achieved

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

**NUMBER OF LTI < 5**
✓ Achieved

***Diagram 6** – Sustainability Targets (continued)*

## WORKPLACE

### ATTRACTIVE & INCLUSIVE WORKPLACE TARGETS & RESULTS

**Continue to provide school aids**

✓ Completed

**2021 : RM25,600 for 128 Employees' Children**

**2020 : RM57,400 for 287 Employees' Children**

**Resume Professional Training and Education for Growing Entrepreneurs ("Protégé") program by Ministry of Entrepreneur Development and Cooperatives**

✓ Resumed in February 2021

**Establish Gadang COVID Careline Team**

✓ Completed

## COMMUNITY

### COMMUNITY DEVELOPMENT TARGETS & RESULTS

**Organise 2 charity events**

✓ Achieved

1. **TRX Package C3 donated 5 sets of used bed frames and mattresses to Persatuan Kebajikan Orang-Orang Tua Bahagia Selangor**
2. **Donated food and groceries to Pusat Jagaan Rumah Juara PJ**

**Spend RM100,000 on CSR activities**

✓ Achieved.

**Spent RM471,183**

***Diagram 6*** *– Sustainability Targets (continued)*

# SUSTAINABILITY STATEMENT

## BUSINESS FRONT

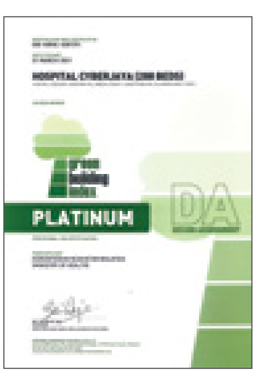
### SUSTAINING BUSINESS PERFORMANCE

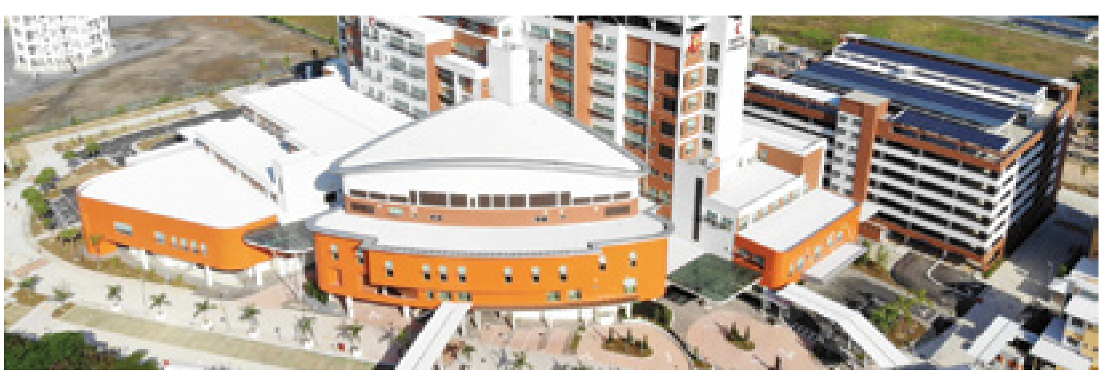
| Revenue | Profit Before Taxation | Total Assets |
|---|---|---|
| **2021: RM 574,767,491** | **2021: RM 20,069,028** | **2021: RM 1,756,024,531** |
| 2020: RM 673,056,446 | 2020: RM 59,332,400 | 2020: RM 1,779,146,382 |
| **Profit After Taxation** | **Share Price** | **Net Assets Per Share** |
| **2021: RM 11,154,867** | **2021: RM 0.39** | **2021: RM 1.12** |
| 2020: RM 35,654,367 | 2020: RM 0.51 | 2020: RM 1.12 |

The Covid-19 pandemic has increased the cost and time of projects execution, with the multiple MCOs which were and are still necessary to curb the spread to be within the capability of our country's healthcare system. The national vaccination program is gaining momentum and it is hoped that restrictions on the economic sectors will be further uplifted and project execution can carry on at an optimum level.

Despite the adversity of the Covid-19 pandemic, GESB received the Award of Excellent Subcontractor for the East Coast Rail Link Project 2020 from China Communications Construction (ECRL) Sdn Bhd in February 2021. With full dedication and vigor, the team has demonstrated that nothing is impossible if teamwork and Company's interest is at the forefront.


In March 2021, our Cyberjaya Hospital obtained Provisional Green Building Index ("GBI") Platinum Certification from Greenbuildingindex Sdn Bhd. Green Building focuses on the efficient use of resources, such as energy, water and materials. Its main objectives are to reduce detrimental impact on occupant's health and environment though better design, construction, operation and maintenance. If it is operated efficiently and properly maintained, it is able to sustain and improve the quality of human life whilst maintaining the capacity of the ecosystem. There are four categories of GBI rating which include Certified, Silver, Gold and Platinum. A minimum score of 86 points is required to obtain GBI Platinum certification.



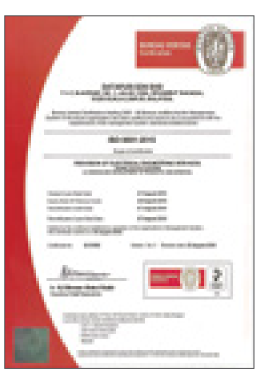
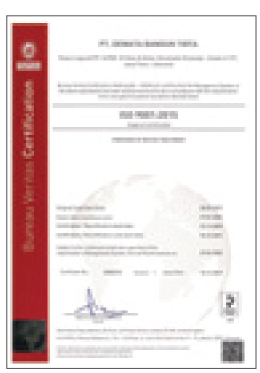
# SUSTAINABILITY STATEMENT

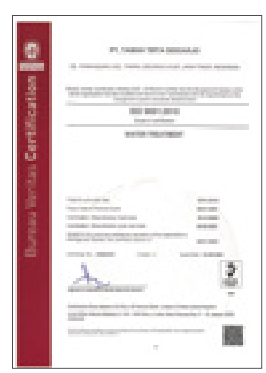
Our Elegan Residensi at Taman Putra Perdana which consists of 404 units of 1½-Storey Townhouses flaunts an open and flexible space where vast green landscapes, playground and outdoor fitness equipment are located for quality family time. Convenience and leisure are met with just a short walk to the multi-purpose court and commercial lots. We aimed to achieve the Quality Assessment System In Construction ("QLASSIC") with a score of 75% and above by July 2021. However, the inspection process for the purpose of assessment has halted due to the MCO in June and July 2021. Nevertheless, we endeavour to obtain the certificate when operation is allowed to resume.



We achieved our first five-star SCORE rating (also known as "Penilaian Keupayaan dan Kemampuan Kontraktor") in 2019 awarded by Construction Industry Development Board ("CIDB"). The SCORE rating is due for reassessment every two years. We continue to uphold our standard of performance in delivering quality products and services to our clients and managed to maintain our five-star SCORE rating in 2021. The SCORE programme is developed by CIDB in collaboration with SME Corp, to assess the capability of contractor through its comprehensive rating system. GESB is assessed based on seven parameters such as business performance, best practices, financial, management and technical capabilities, procurement and project management. A minimum score of 85 points and 15 points for each parameter are the criteria to obtain five-star SCORE.

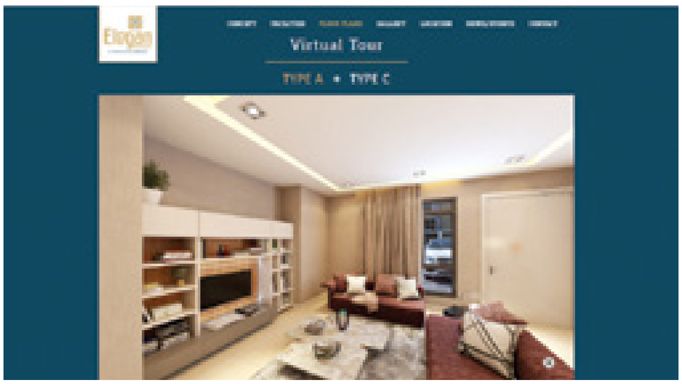

We are committed to create sustainable improvement within our organisation. Our local and overseas subsidiaries including GESB, DSB, TTS, HTB and DBT consistently maintain their ISO 9001: 2015 Quality Management System ("QMS"). GESB, TTS and HTB had renewed their ISO 9001: 2015 QMS certifications in FYE 2021.

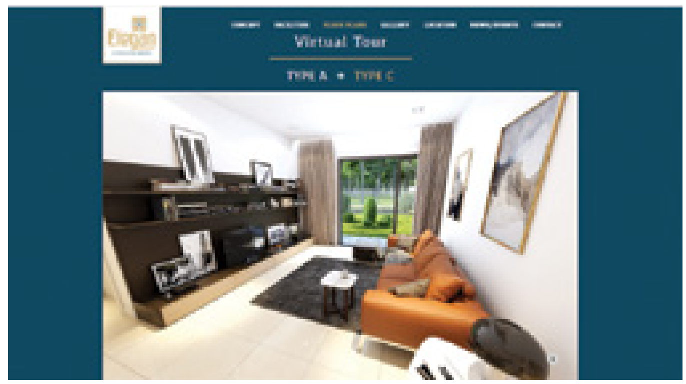





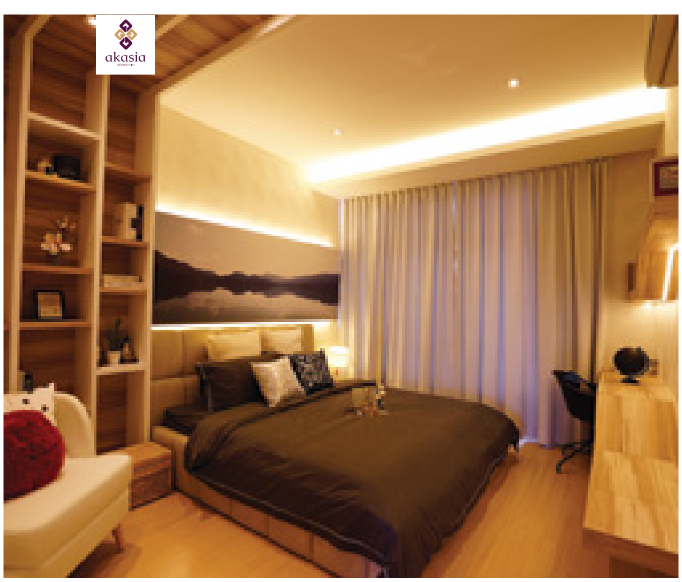
# SUSTAINABILITY STATEMENT

For Property Division, we have adapted to the new norm of social distancing due to Covid-19 and developed our virtual reality show units to market and connect with customers. Customers are able to visit the virtual version of Elegan Residensi and Akasia Semenyih show units at anytime and anyplace though the website www.elegan.com.my and www.akasiasemenyih.com.my respectively without having to travel to the physical show units.






## HANDLING CLIENT / CUSTOMER EXPECTATIONS

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 engineering and construction projects, we achieved the average score of 81%.

As for our customer satisfaction surveys for Phase 2B Maple Residence, we achieved the score of 81% which is above our target of 80%. 95% of the customers who responded said that they will consider to purchase our future development and will recommend our development to friends.

For our Utility Division, we achieved average 92% for our client satisfaction surveys from TTS, HTB and DBT.

**SATISFACTION**

**Engineering & Construction**
**81%**

**Property**
**81%**

**Utility**
**92%**

## FOSTERING GOOD CORPORATE GOVERNANCE

A strong and effective corporate governance ensures corporate success, cultivates culture of integrity and maintains investors' confidence.

Annually, we review the Standard Operating Policy and Procedures ("SOPs") of the entire Group to ensure that they are applied consistently. This also ensures the efficiency of performance and quality output while reducing miscommunication and failure to comply with rules and regulations. During the year, we have updated our SOPs for Related Party Transactions & Recurrent Related Party Transactions, Risk Management Policy and Sustainability Reporting Framework. These SOPs were approved by the Board before dissemination to the employees.

As part of our effort to continuously improve our corporate governance through enhanced disclosures, we assessed our degree of compliance to Bursa Malaysia Sustainability Disclosure Review 2020 – Key Observations and Recommendation and reported the outcome of our assessment to RMC and Board. We are in compliance to most of the best practices and are committed to further improve on our disclosures in the next financial year.

## EFFECTIVE BUSINESS ETHICS AND COMPLIANCE PROGRAMS

Being a public listed company, we are subject to an increasing array of local and international laws and regulations. Effective business ethics and compliance programs help to ensure that Gadang operates within the laws and regulations and demonstrates its commitment to upholding the highest standards of professionalism and exemplary corporate conduct.

We are committed to the TRUST principle stipulated in the Guidelines on Adequate Procedures pursuant to Subsection (5) of Section 17A Malaysian Anti-Corruption Commission ("MACC") Act 2009. Therefore, we have revised the Code of Ethics and Conduct ("COEC") to incorporate Anti-Bribery and Corruption ("ABC") Policy. The COEC is applicable to all employees, including the directors. Our standalone ABC Policy spells 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. These policies are reviewed and approved by the Board of Directors. They are made accessible to the public via our website at www.gadang.com.my. Trainings on COEC and ABC policies have been provided to all directors and employees to ensure that they fully understand the policies.

# SUSTAINABILITY STATEMENT

Subsequent to the trainings, directors and employees have signed and acknowledged that they accept and agree to full compliance of these policies.

Directors and employees are required to disclose any situation that may create an actual or perceived conflict of interest by completing the Conflict of Interest ("COI") Disclosure Form as spelt out in the COEC. We completed the risk assessment for the COI declarations made by the Directors and employees during the year and the outcome was reported to RMC and Board. Where necessary, action plans were put in place to resolve the conflicts.

**T** op level commitment

**R** isk assessment

**U** ndertake control measures

**S** ystematic review, monitoring & enforcement

**T** raining & communication


We have engaged and communicated our ABC Policy to our suppliers, service providers and contractors via inclusion of new clause on prohibition of bribery in contract, supplemental letter or third party declaration that they shall fully comply with our ABC Policy and would not engage in any transaction with any of Gadang's employees that will contravene the MACC Act 2009.

To monitor the effectiveness of our COEC and ABC policy, we have initiated data collection for COEC and ABC related statistics in our existing quarterly Sustainability Template. A half yearly report on the data collected is presented to RMC and Board to enable them to assess the effectiveness of the policies in place.

Annually, we conduct corruption risk assessment to identify various corruption risks across our operations and ensure controls are in place and adequate mitigation measures are implemented. The outcome of corruption risk assessment is presented to RMC and Board for review.

We encourage our stakeholders to report unethical or unlawful matters via our Whistleblowing reporting procedures which is also available at www.gadang.com.my. Our Whistleblowing reporting procedures is reviewed annually and approved by Board to ensure it remains relevant to serve as an effective whistleblowing channel.

## DIGITALISATION

The Covid-19 pandemic has accelerated the paradigm shift towards digitalisation and forced us to rethink how we work. Like all other companies, we have to be agile and fast in adapting to the changing environment in order to survive and sustain the business.

Due to the Conditional MCO that was imposed on Selangor, Putrajaya and Kuala Lumpur from 14 October 2020, we conducted our first Virtual 27th Annual General Meeting ("AGM") successfully on 11 November 2020. The live broadcast of AGM at Tricor Business Centre was attended by our Board of Directors and Company Secretary. The Board was supported by our top management at the Gadang Headquarters ("HQ"). A total of 159 shareholders, proxies and corporate representative joined the online AGM. It was indeed an invaluable experience.


As digitalisation can give us a competitive advantage by completing the tasks in a better, faster, and cheaper way, we implemented a web-based solution for consolidation and reporting. Approximately RM450,000 was invested in this web-based solution to maintain the integrity of financial data in a central source and ensure that users are able to access the data as and when they need to. With work from home requirements due to Covid-19 pandemic, the finance personnel are thus able to consolidate the accounts at any time on any devices. It also enhances the reliability of data as it brings full autonomy in the consolidation and reporting process while saving considerable amount of time.

Our Cyberjaya Hospital also invested in Autodesk BIM 360° Docs, a construction document management software, so that the employees can better access our documents especially during the work from home periods. This software centralises all data in a single data depository. Latest documents including 2D drawings and 3D models can be shared with users. The users are not restricted to employees only. Our clients and consultants who have been granted the access can also access the data at anytime and anyplace. This software keeps track of all users' information and ease the contact and discussion among users. Users can comment on the data uploaded directly to speed up the review process and the comments are tracked systematically.

To reduce the exposure to Covid-19 infection due to meetings with internal or external stakeholders, we have invested in the Video Conferencing Solution Suite for Gadang Headquarters ("HQ") and Cyberjaya Hospital project site. Besides reducing the risk of Covid-19 exposure, it also improves efficiency, generates savings in travelling time and costs and reduces carbon footprint.

## PROTECTING DATA PRIVACY AND ENHANCING 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 the Endpoint Security Protection for HQ's IT Infrastructure and implemented Network Attached Storage ("NAS") for Gadang Land Sdn Bhd. We also conducted software audits randomly to ensure compliance with software licensing requirements and prevention of illegal download of software by employees. No incident of data breaches were reported during the reporting period.

During the year, Autodesk Asia Pte Ltd conducted Autodesk licence compliance audit on GLSB, RUSB, DSB and TRX Package C3. We provided full cooperation to the auditor and assisted in scanning all laptops, computers and server for the said entities / project with the software provided by Autodesk. Subsequently, reports were submitted to the auditor. The auditor concluded the audits with an appreciation note with no non-compliance noted.

Annually, we review and update 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 customers and employees are well notified of the PDPA requirements. Customers are required to sign the PDPA Notice in accordance with statutory compliance. PDPA Notice for customer is also posted on our property division website at www.gadangland.com.my

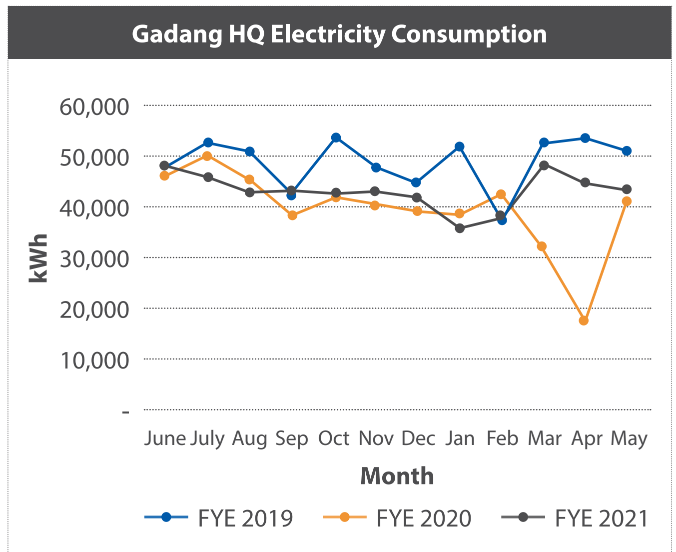
# SUSTAINABILITY STATEMENT

## ENVIRONMENT

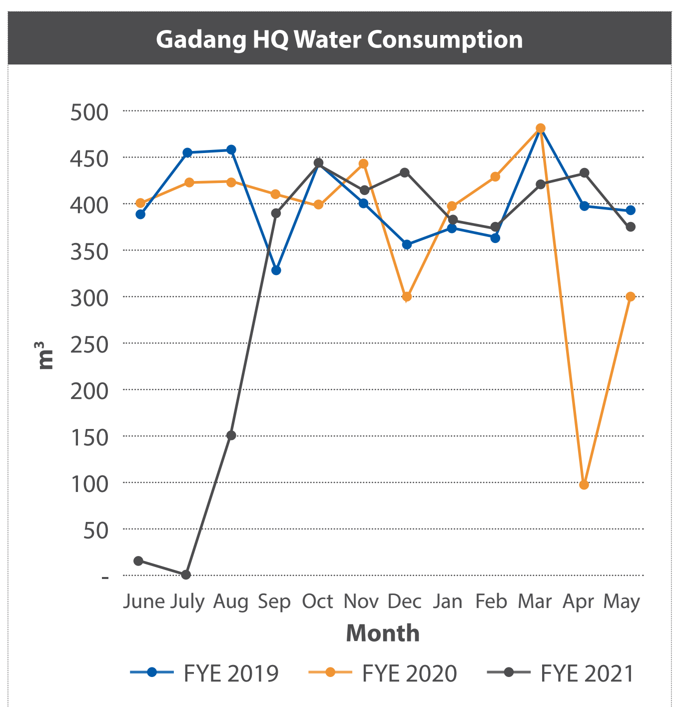
### MINIMISING THE ENVIRONMENTAL IMPACT

As climate change and environmental pollution pose significant risks to the humans, animals and other living things on earth, we endeavor to manage the environmental impact from our business decision and operations. Therefore, we continue our initiatives to monitor our electricity and water consumption.

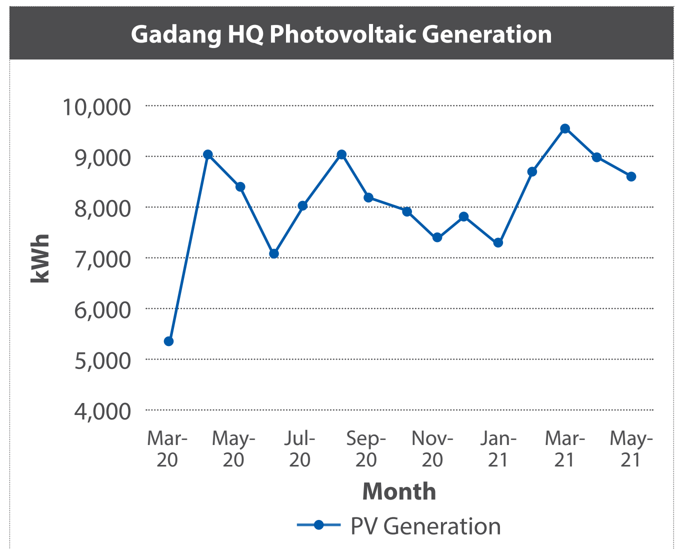
The trend of our electricity consumption is more or less the same as FYE 2020 except for the dip in March and April 2020 due to our employees working from home during the MCO to contain the spread of Covid-19. The increase in air conditioner temperature to 24 degree Celsius and replacement of spoilt fluorescent lights with light-emitting diodes lights since 2020 has reduced electricity consumption compared to 2019.




Our water consumption from June to August 2020 was low due to the faulty water meter and it was subsequently replaced. Other than this anomaly, our water consumption has been quite consistent. Although MCOs and Conditional MCOs had reduced workforce and accordingly, the water usage, it had been off-setted by the increased frequency of cleaning for hygiene and health purposes.




We have also commenced the monitoring of photovoltaic ("PV") generation at Gadang HQ. Our solar panel installation on the rooftop of Gadang HQ in March 2020 helped reduce our carbon footprint and mitigate climate change besides generating savings in electricity bill. As at May 2021, the photovoltaic system has generated energy of 120,000 kilowatt hour since the installation.


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 except for those project sites which are near completion. Remedial actions will be taken when there is any exception 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

## A GLIMPSE OF OUR INITIATIVES – MRT LINE 2 – V206 PROJECT

### Air Monitoring

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.

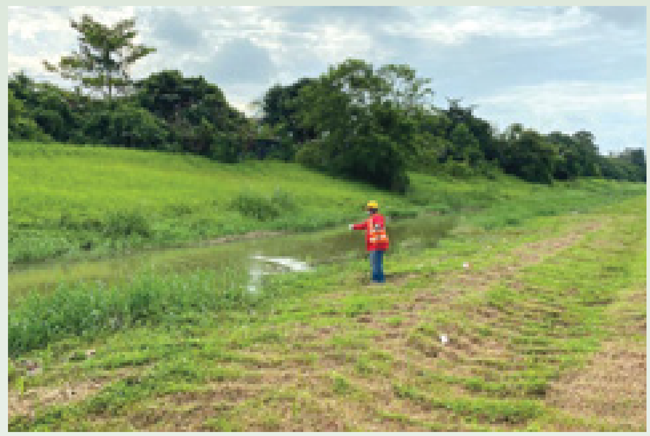
### Noise Monitoring

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 prior to commencing of work and serviced regularly to ensure in good working condition. Thus, no excessive noise are generated.

We installed acoustic panels at station construction area as temporary noise barriers and isolated the unsightly construction area from the public.

## Water Monitoring

We have increased the water sampling points from seven to nine. Water sampling is conducted monthly by accredited laboratory to ensure that the water quality at sampling points is within the acceptable limit under National Water Quality Standards or not more than the original baseline.



## Campaign

GESB also organised Erosion and Sediment Control Campaign at MRT Line 2 - V206 project site in April 2021 which was attended by 200 workers including our subcontractors to educate them on the proper procedures to stop sediment run off to the public drain.

# SUSTAINABILITY STATEMENT

## MANAGING OUR MATERIALS USED AND WASTE

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 2021, 65.37% 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.

We reused building materials on site such as reusable prefabricated formwork system for column, wall and slab. As for Cyberjaya Hospital, 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 2021, we recycled 73.61% of construction waste.

### WASTE MANAGEMENT BEST PRACTICES AT CYBERJAYA HOSPITAL

- ✓ Competent waste contractor is appointed for the site.
- ✓ 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 are put on hold upon the announcement of MCO by the Government.

E-waste is categorised as scheduled wastes under the Code SW 110, First Schedule of Environmental Quality (Scheduled Wastes) Regulations 2005 in Malaysia. Code SW 110 are defined as waste from electrical and electronic assemblies containing components such as accumulators, mercury-switches, glass from cathode-ray tubes and other activated glass or polychlorinated biphenyl-capacitors, or contaminated with cadmium, mercury, lead, nickel, chromium, copper, lithium, silver, manganese or polychlorinated biphenyl. If e-waste is disposed in landfills, the hazardous components will contaminate the surface and ground water. The metal components will also be lost for future use. Therefore, it is important to dispose the e-waste in a responsible manner to protect the environment.

In 2019, we started to raise the employees' awareness on the importance of proper handling and recycling the e-waste via a two weeks campaign in Gadang HQ and recycled more than 112 kilograms of e-waste. Our IT Department continued the practice of proper handling of e-waste by disposing e-waste such as computer, laptop, printer, batteries, hard disk, power supply, etc to Scrap Computer Trading Sdn Bhd, a company licensed by Department of Environment ("DOE"), in May 2021.

Since December 2019, we have implemented Office Recycling Program in Gadang HQ 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. As at May 2021, we have managed to collect miscellaneous recycle items amounting to 1,765 kilograms.

| Aluminiums | Plastics | Papers | Metals | Others |
|---|---|---|---|---|
| 3kg | 9kg | 1,578kg | 147kg | 28kg |

Upcycling contributes to the reduction of carbon emissions by extending lifetimes of used materials and converting the unwanted materials into a product of higher quality. Finding new ways to repurpose items enhances one's creativity while conserving natural resources. Our DBT employees had gone one step further by upcycling the scrap items encountered by chance. They creatively reused cable trays, rebars, and other scrap materials to transform them into table, benches and basins for waiting area.

**Before Upcycling** **After Upcycling**

## SUPPLYING POTABLE WATER

We contribute to the Indonesia Government initiatives by providing potable water to each citizen. 50% of the bulk water supply in Sidoarjo is contributed by TTS and HTB. DBT contributes 12% 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 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 hours interval in the laboratory for raw and treated samplings to ensure 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 designated and accredited external laboratories recognised by the regional local authorities, Perusahaan Daerah Air Minum ("PDAM") 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

## WORKPLACE

### OUR RESPONSE TO COVID-19

Since the announcement of the first MCO by the Government in March 2020, we have established a Special Task Force ("STF") for Covid-19 led by our Chief Financial Officer and supported by our senior management to deal with issues related to Covid-19 to ensure the smooth implementation of the Covid-19 response and mitigation strategies. The STF meets virtually on a need basis to discuss Covid-19 matters before instructions, memorandums, updates, etc. are disseminated to the employees. This is so that employees are well informed of new SOPs and workforce arrangements to ensure compliance to the rules and regulations issued by the authorities.

Gadang HQ Covid Careline Team which is led by Group Human Capital Department was formed to respond to any positive Covid-19 case in Gadang. Its objective is to ensure smooth and prompt communication to the Management and to provide immediate attention to all positive tested employees. A "Care Pack" which includes a box of surgical mask, mineral water, three bottles of hand sanitisers, Vitamin C and fruits is delivered to positive tested employees at the hospital to support the employees in their battle with Covid-19.


### COMBAT AGAINST COVID-19

- ✓ New working arrangement i.e, split team, work from home, etc.
- ✓ Various SOPs and guidelines in combat of Covid-19
- ✓ Ensure regular sharing and communication to employees on the latest updates and preventive measures
- ✓ Daily temperature check on staff
- ✓ Temperature check on guests, customers, suppliers, visitors, contractors, etc.
- ✓ Provide hand sanitisers at common areas
- ✓ Distribute face masks to all employees every month
- ✓ Ensure employees wear masks at all time
- ✓ Regular disinfectant and sanitisation of work premises
- ✓ Notices and posters on Covid-19 preventive measures
- ✓ Encourage virtual meeting
- ✓ Encourage social distancing
- ✓ Limit number of person in lift / surau at one time
- ✓ Swab test as and when necessary
- ✓ Home quarantine for close contact
- ✓ Restrict visitors to Gadang HQ
- ✓ Restrict inter floor employees interaction and provide drop box at each floor for collection / drop off documents
- ✓ Conduct Covid-19 audits at project sites
- ✓ Register for Covid-19 vaccination programs

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 CIDB. Various guidelines and SOPs are established and implemented across the Group to ensure the health and safety of employees are protected.

We have face recognition attendance system and KipleLive Face Recognition Thermal Scanner at the entrance of the HQ which are able to identify employees even when they are wearing a protective mask. We have also implemented face recognition attendance system at majority of our project sites such as MRT Line 2 – V206, Cyberjaya Hospital, ECRL Section 5, ECRL Section 6 and Serendah plant and machinery yard. Our face recognition system for ECRL Section 5 and MRT Line 2 – V206 located at Serdang Raya and University Putra Malaysia checkpoints are supported by energy generated by a small solar panel system instead of a genset, which is environmental friendly. It can operate 24 hours and is more durable as compared to a genset. Furthermore, the small solar panel system is reusable for other sites when the project is completed.

Besides regular washing and hand sanitising, face mask is the key personal protective equipment for Covid-19. Therefore, we source for the supply of face masks and distribute it to the employees every month. As at May 2021, we have distributed 324,400 pieces of face masks to protect our employees from Covid-19.

We understand and support our employees who wish to get vaccinated as soon as possible with the rising numbers of infection. Therefore, we have successfully registered 363 employees for vaccination through Construction Industry Vaccination Program ("CIVac") organised by CIDB. 221 employees had successfully received their vaccination via CIVAc Phase 1, while 142 employees were registered for vaccination in CIVAc Phase 2. Majority of other employees have completed their vaccinations via other vaccination programs rolled out by the Government.

GESB had successfully conducted Combat Covid-19 campaign at MRT Line 2 - V206 project site which was attended by 125 workers, including subcontractors. We managed to impart proper Covid-19 awareness and know-how to the workers as per our objectives. An emergency drill on how to handle Covid-19 situation was also conducted to ensure GESB Emergency Response Team ("ERT") know their roles and responsibilities in an emergency situation and to test their response. The ERT with full personal protective equipment recorded 21 minutes to send the worker to Serdang Hospital during the drill.

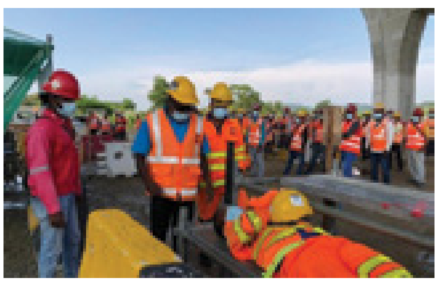
We also awarded hampers and certificates to five supervisors and ten workers in recognising their exemplary HSE practices.

As safety and health should be part and parcel of daily life and not restricted to safety and health at workplace, GESB has launched another HSE campaign during the financial year to reaffirm our state of mind to embed safety and health in our daily activities.

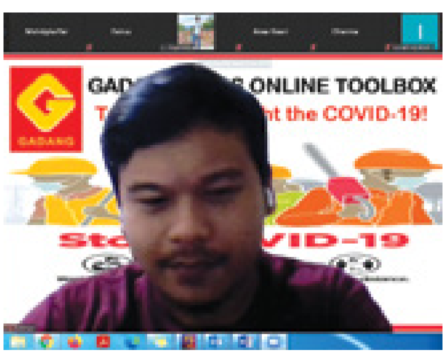
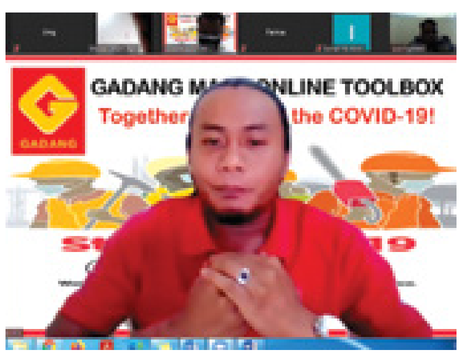
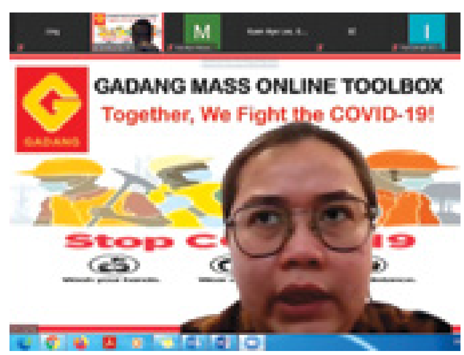
# SUSTAINABILITY STATEMENT

GESB conducted Dengue Prevention Campaign at MRT Line 2 – V206 in April 2021 as fever is one of the common symptoms for Covid-19 and dengue. It was attended by 200 workers. An emergency drill was conducted to train the operation team and ERT on handling a worker who is suspected to have dengue fever and ensure proper isolation is being performed. If the worker complains high fever and spots are sighted on his skin, the ERT is required to isolate and send the worker to Serdang Hospital immediately. The ERT managed to send the worker to Serdang Hospital within 18 minutes during the drill. The emergency drill provides opportunities for the site personnel to be familiar with the Emergency Response Plan and Procedures in the event incidents related to dengue and Covid-19 occurred.

Another four supervisors / engineers and six workers were awarded with hampers and certificates in recognising their effort in demonstrating HSE best practices.



Our momentum to fight Covid-19 pandemic did not stop even during full MCO announced by the Government. We conducted our Gadang mass toolbox meeting via online platform. For the first 14 days of full MCO, safety and health personnel from different sites were assigned to brief on Covid-19 prevention and measures to constantly remind the employees on the importance of being guided by the SOPs to prevent Covid-19 infection as well as sharing of actual Covid-19 experiences. The frequency of the Gadang mass toolbox meeting was reduced gradually to a minimum of two times per week during the extended full MCO and Enhanced MCO as the employees became more familiar with the Covid-19 prevention and measures.


Our HSE internal auditors also conducted Covid-19 audits at Gadang HQ and five project sites to ensure that they are in compliance with the relevant Covid-19 SOPs. There were no observations and Non Conformance Report ("NCR").

## OCCUPATIONAL HEALTH & SAFETY

We are committed to the continuous improvement of our HSE policies and practices. HSE Management Review meeting is held annually to review our HSE performance and evaluate our compliance with rules and regulations in order to discuss and finalise on actions for continuous improvement. During the meeting, we have also reviewed and improved our GESB Policy Statement on HSE. The said policy has been communicated to staff via email or notice board.

**HEALTH** **SAFETY** **ENVIRONMENT**

**HSE objectives**

Our Motto **"Health, Safety and Environment is our culture and commitment"**

- Prevent accidents and cases of work related ill health by managing the health and safety risks in the workplace
- Provide clear instructions & information, and adequate training to ensure employees are competent to do their work
- Protect the environment & conserve natural resources by adopting pollution prevention and best environmental management practices
- Comply with all applicable HSE legislations and other HSE requirements;
- To ensure that all employees including sub-contractors are efficient, effective and consistent in the performances of their duties and responsibilities by providing requisite leadership, knowledge, support, training, information, motivation and facilities available;
- Increase awareness and accountability at all levels of the organisation;
- Strive for the optimum standard in HSE through teamwork by being proactive and committed to our social obligations;
- Monitor and regularly review our set objectives and targets;
- To promote Safety Culture Development Programs to set of core value and behavior sustainability as overriding priority.

Besides continuing to maintain ISO 45001: 2018 Occupational Health and Safety Management System ("OHSMS"), our top management personnel takes HSE matters seriously and participate in HSE Management Walkabout. Key measures are implemented to prevent injuries, fatalities and occupational illness at project sites and workplace. Monthly meetings, weekly briefings, daily toolbox meetings, 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.

In January 2021, GESB TRX Package C6 has obtained the Silver Award from Malaysian Society for Occupational Safety and Health ("MSOSH") for Good 2019 OSH Performance. The stringent site audit was conducted in November 2020 by MSOSH panel of auditors. This is GESB's first participation in such accreditation program and it will be a motivation for the Company to excel further in our OSH Management practice.

# SUSTAINABILITY STATEMENT

Annual compliance audits are conducted by our in-house internal auditors for our projects and subsidiaries. Our HSE internal auditors conducted seven audits which covered ISO 45001: 2018 OHSMS and 14001: 2015 EMS during the financial year. All 4 Non Conformance Reports ("NCRs") and 55 out of 66 observations issued by our HSE internal auditors were closed. We also closed the only NCR and 5 out of 6 observations issued by SIRIM QAS International auditors. Proactive measures in respond to the NCRs and observations received have been taken by the relevant sites to further improve the HSE Management System implementation.

As shown in ***Table 3***, we did not achieve our HSE target of Lost Time Injury ("LTI") frequency rate of less than 0.27. However, we have improved on reportable incident rate and number of LTI.

| Target | FYE 2021 | FYE 2020 | FYE 2019 |
|---|---|---|---|
| Zero life loss | No fatalities | No fatalities | No fatalities |
| Reportable incident rate of less than 3 | 1.67 | 8.30 | 7.64 |
| Number of LTI not more than 5 | 1 | 3 | 1 |
| LTI frequency rate of less than 0.27 | 0.35 | 0.74 | 0.17 |

***Table 3*** *– HSE Performance*

A research by Universiti Teknologi MARA ("UiTM") to develop an Occupational Safety and Health in Construction Industry (Management) ("OSHCI (M)") maturity assessment model under MRT Line 2 - V206 Industrial Collaboration Program ("ICP") which is funded by GESB was successfully completed in February 2021. The name of the completed model is Organisational Capability Maturity for Occupational Safety and Health in Construction Industry (Management) ("OCM-OSHCIM").

Two days online training has been conducted by UiTM and attended by more than 40 participants from Department of Occupational Safety and Health ("DOSH"), Technology Depository Agency, GESB, Mass Rapid Transit Corporation Sdn Bhd, Ahmad Zaki Resources Berhad and Ministry of Works to share the six modules of OSHCIM practices. The training provided awareness and understanding on the importance of implementation of Prevention through Design ("PtD") concept, and prepared project stakeholders on the know-how to implement OSHCI (M) in compliance with the Guidelines of OSHCI (M) 2017. DOSH has accepted the proposal to share the OCM-OSHCIM to the interested industry players.

With the development of OCM-OSHCIM, the industry players are able to improve and equip with the required occupational safety and health competencies. Priority on safety will be considered at the very beginning of a project to reduce potential hazards during construction and occupancy.

## HUMAN CAPITAL DEVELOPMENT

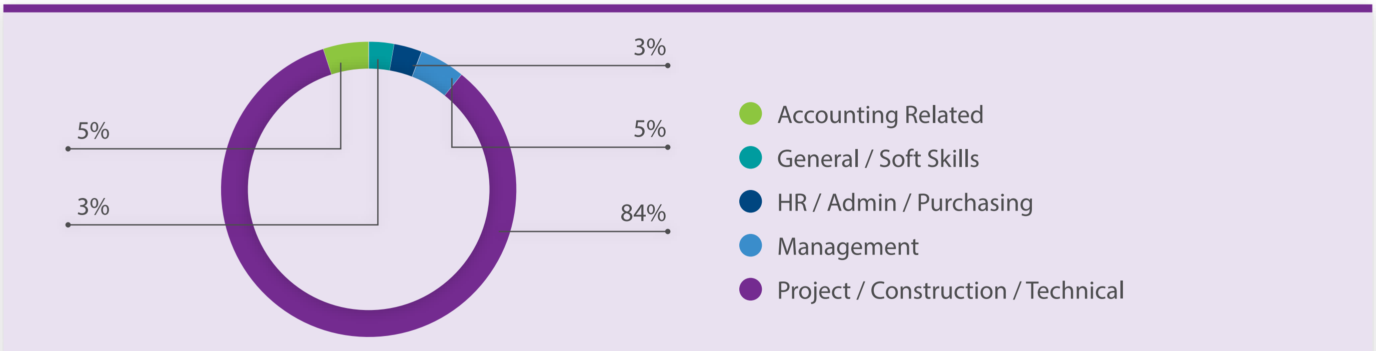



***Diagram 7*** *– Trainings organised by Group HCD*

As a result of the Covid-19 pandemic and MCO which do not allow for physical trainings to be conducted, majority of the trainings have been deferred as safety and health of employees remain our utmost priority.

Although virtual trainings are available in the market, they are less effective as employees tend to lose focus and get distracted with other work related matters. However, trainings on any changes / new laws and regulations or at the request of the client are still granted to ensure 100% fulfilment of statutory compliances and client's requirement.

Therefore, the amount invested in trainings has reduced. 84% the trainings granted are related to project / construction / technical to ensure the competency of employees at site are not compromised despite the Covid-19 pandemic.

Examples of trainings organised by the Group Human Capital Department ("HCD") include Anti-Bribery and Corruption, Code of Ethics and Conduct, Authorised Entrant and Standby Person for Confined Space, After Crisis Site Inspection Technique, Project Management 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 Covid-19 Prevention Awareness, Covid-19 Mitigation Plan, Excavation and Underground Utilities Detection, Flood Management at Site, Mock Up Training for Spillage Control at Site and etc.

| | FYE 2021 | FYE 2020 | FYE 2019 |
|---|---|---|---|
| **Time Invested** | 208 DAYS | 566 DAYS | 455 DAYS |
| **Amount Invested** | RM 134,000 | RM 149,000 | RM 179,000 |
| **Number of Participants** | 161 PARTICIPANTS | 403 PARTICIPANTS | 378 PARTICIPANTS |

***Table 4*** *- Total Training Days, Amount Invested & Number of Participants*

Besides providing trainings to our employees, we have resumed Professional Training and Education for Growing Entrepreneurs ("Protégé") program by Ministry of Entrepreneur Development and Cooperatives in February 2021 to develop the Malaysian graduates with the necessary skills and experience through on-the-job learning and training. Whilst only three candidates have been recruited under this program as at May 2021, we aim to recruit another four candidates in the next financial year.

We are guided by the following policies to ensure fair and equitable treatment for all employees:

- Gadang Human Resource Manual
- Gadang Employee Handbook
- Flexi Working Hours Policy
- Leave Policy
- Medical Benefits Policy
- Group Insurance Scheme Policy
- Learning and Development Policy
- Domestic Inquiry Guideline (DI Panel)
- Grievance and Disciplinary Policy
- Managing Employee Non-Performance
- Subsistence Allowance (Local & International)
- Anti-Bribery and Corruption Policy
- Code of Ethics and Conduct

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 construction industry is a male-dominated sector, we continue to welcome capable women workforce to join our operations. In FYE 2021, our women workforce further increased by another 2% from 31% to 33%.

# SUSTAINABILITY STATEMENT

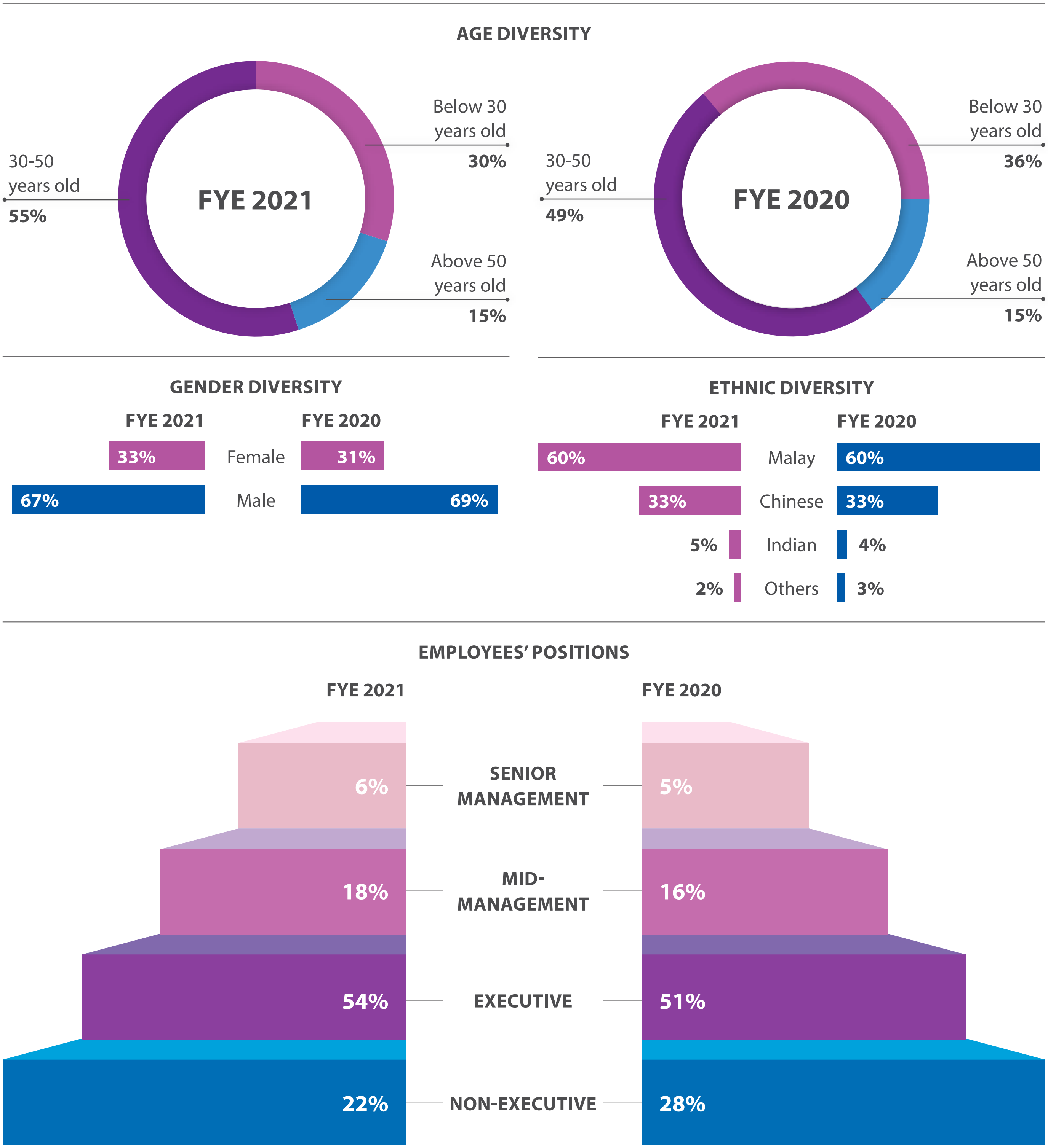


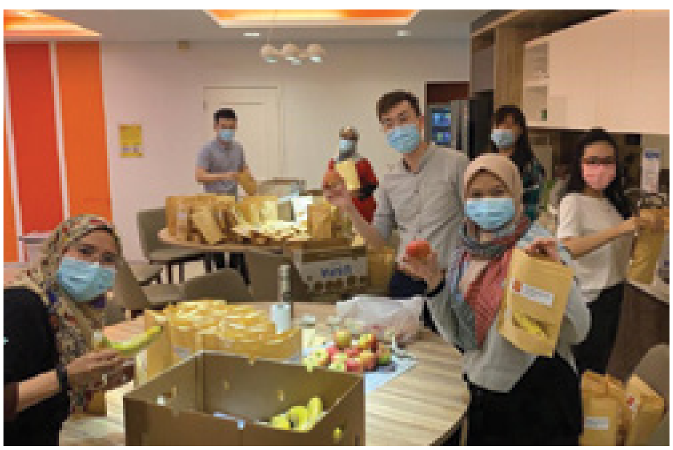

***Diagram 8** – Age, Gender, Ethnicity and Positions*

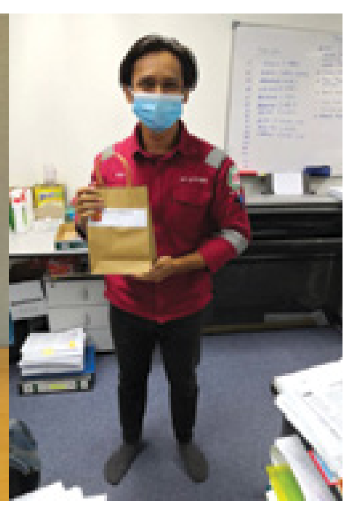
## HEALTHY LIFESTYLE FOR EMPLOYEES

We have an established Sports Club that organises recreational activities for its members to foster healthy lifestyle and strong bonding between employees.

During Conditional MCO, weekly badminton session was held in April 2021 with strict compliance to SOPs issued by Government and restricted to 12 participants only. However, it was suspended from May 2021 onwards until further notice due to the rising Covid-19 cases and enforcement of MCO.


Even though most of our recreational activities are put on hold due to the Covid-19 pandemic, we continue to take care of the health of our employees by celebrating Fruits Day with them. A total of 500 packets of fruits were distributed to the employees to cheer them up. Employees from various project sites also get to enjoy the fruits. As for ECRL S5 and S6, the employees were given a budget to organise their own Fruit Day due to logistic issues in sending the fruits packets to Maran and Kertih.



In addition, we also distributed 800 Covid-19 Care Packs to the employees to remind them on the importance of boosting immune system and regular sanitising in light of the surge of Covid-19 cases. The Covid-19 Care Packs which include Vitamin C and sanitisers were distributed to employees at project sites as well.

# SUSTAINABILITY STATEMENT

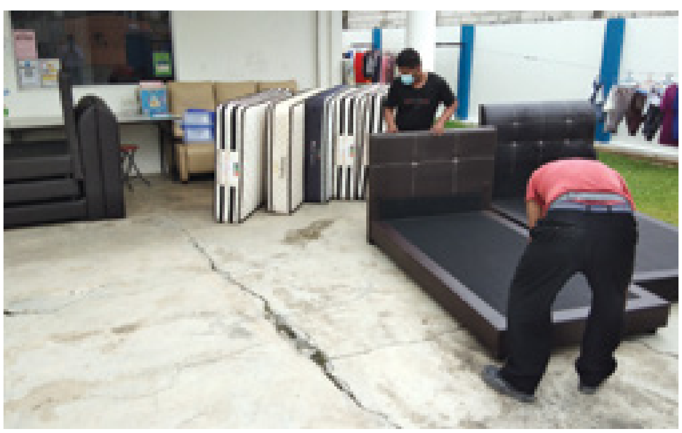
## COMMUNITY

### TAKING CARE OF OUR COMMUNITIES

Due to the outbreak of Covid-19 pandemic, some of the community activities have been cancelled such as our yearly Hari Raya Aidilfitri open house celebration with the local communities in Indonesia. As for Hari Raya Idul Adha (Hari Raya Haji), we managed to distribute packages of "Korban" meat to the local communities and agencies in Indonesia.

During Recovery MCO in September 2020, we managed to visit Pusat Jagaan Rumah Juara Petaling Jaya. We donated cash, face masks, groceries and lunch packets for the children. Due to severe water disruption, we also donated ten cartons of mineral water, paper plates, disposable forks and spoons to ease their daily living. A simple and short birthday celebration with the children born in September was held to bring joy to the children.


In November 2020, Persatuan Kebajikan Orang-orang Tua Bahagia Selangor (En Yuan Old Folks Home) which is occupied by approximately 30 old folks reported a need for bed sets. Therefore, our Project Director of TRX Package C3 liaised with the Person In Charge ("PIC") of the home and arranged for five sets of used bed frames and mattresses to be donated to the home. The bed sets were disinfected before sending to the home. After handing over to the PIC, we disinfected the bed sets again to ensure they are safe for usage. The old folks were able to use the bed sets one week after the disinfection process.

Besides the above, we also made contributions in kind and in cash to Pertubuhan Kebajikan Skizofrenia Malaysia, Rumah Sejahtera Rumah Orang Tua Bidor, Majlis Pusat Kebajikan Cawangan Kampar and others. A total of RM471,183 was spent on Corporate Social Responsibility ("CSR") activities.

# DIRECTORS' RESPONSIBILITY STATEMENT

In respect of Audited Financial Statements for the financial year ended 31 May 2021

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.

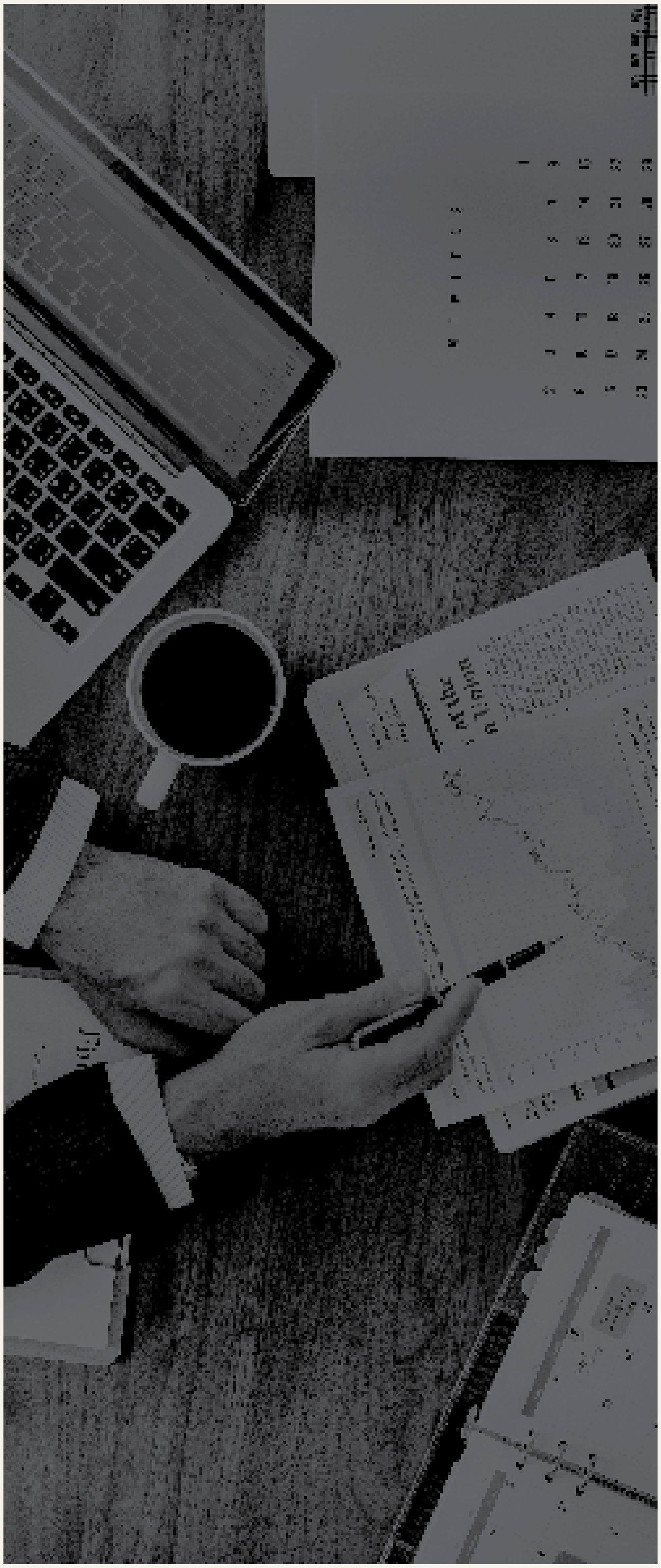
The Directors are responsible to ensure that the audited financial statements give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year, and of the results and cash flows of the Group and the Company for the financial year.

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.



# FINANCIAL STATEMENTS

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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 2021.

## 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 | 11,154,867 | 2,179,388 |
| **Attributable to:-** | | |
| Owners of the Company | 10,792,232 | 2,179,388 |
| Non-controlling interests | 362,635 | - |
| | 11,154,867 | 2,179,388 |

## DIVIDENDS

The Company paid a first and final dividend of 1 sen per ordinary share amounting to RM7,280,610 for the financial year ended 31 May 2020 on 10 December 2020.

At the forthcoming Annual General Meeting, a first and final dividend of 0.3 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 2022.

## 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) there were no changes in the issued and paid-up share capital of the Company; and

(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.

### 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 2021 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 no allowance for impairment losses on receivables is required.

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 allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

# DIRECTORS' REPORT

### 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
Sherman Lam Yuen Suen *(Appointed on 16.8.2021)*

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*
Abdul Rizal Bin Abdul Rahim
Chan Chee Wai
Dato' Chan Ah Kam @ Chan Ah Thoong
Khew Check Kiet
Hew Thean Poh *(Resigned on 8.3.2021)*
Lee Yoke Koon
Liew Swee Kong
Ng Kok Leong
Saw Chee Hoay
Tan Cheng Chin
Choo Keng Loong *(Appointed on 8.3.2021)*

*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 *(Resigned on 28.4.2021)*
Masni Kamal
Neo Lay Hiang Pamela
Reggy Hadiwijaya
Hendro Adinata
Pui Yen Yew

## 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 1.6.2020 | Acquired | Disposed | At 31.5.2021 |
| **Shareholdings registered in the name of Directors:** | | | | |
| **Direct interests** | | | | |
| Tan Sri Dato' Kok Onn | 13,177,300 | - | - | 13,177,300 |
| Boey Tak Kong | 2,000,000 | - | - | 2,000,000 |
| Kok Pei Ling | 1,304,400 | - | - | 1,304,400 |
| Huang Shi Chin | 157,000 | 39,800 | - | 196,800 |
| **Deemed interest*** | | | | |
| Tan Sri Dato' Kok Onn | 180,610,553 | - | (2,620,600) | 177,989,953 |

# DIRECTORS' REPORT

**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 Options under ESOS | | | |
|---|---|---|---|---|---|
| | **Exercise Price** | **At 1.6.2020** | **Granted** | **Exercised** | **At 31.5.2021** |
| **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 45 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' 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 38 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 RM43,200 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 and Subsequent Events

The significant events occurring during the financial year and after the reporting period are disclosed in Note 49 to the financial statements.

# DIRECTORS' REPORT

**AUDITORS**

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

The details of the auditors' remuneration are disclosed in Note 36 to the financial statements.

Signed in accordance with a resolution of the directors dated 1 September 2021.

**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 109 to 224 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 2021 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 1 September 2021.

**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 109 to 224 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 1 September 2021

**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 2021 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 109 to 224.

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 2021, 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.

**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 2021 amounted to RM22,754,268.<br><br>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.<br><br>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.<br><br>Further details are shown in Note 14 to the financial statements. | Our procedures included, amongst others:-<br><br>• Reviewed management's estimates of the recoverable amount and tested the cash flows forecast for their accuracy;<br><br>• Reviewed the key business drivers underpinning the cash flows forecast prepared to support the recoverable amount;<br><br>• 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;<br><br>• Reviewed sensitivity analysis performed by management over the key assumptions to understand the impact of changes over the valuation model; and<br><br>• Reviewed the adequacy of the Group's disclosures. |

# INDEPENDENT AUDITORS' REPORT

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

| **Revenue Recognition for Construction Contracts**<br>Refer to Note 4.22(a) and Note 33 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.<br><br>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:-<br><br>• 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.<br><br>• 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.<br><br>• Assessed the reasonableness of percentage of completion by comparing to certification by external parties.<br><br>• Reviewed estimated profit and costs to complete and adjustments for job costing and potential contract losses.<br><br>• Tested costs incurred to date to supporting documentation such as contractors' claim certificates. |

| **Revenue Recognition for Property Development Activities**<br>Refer to Note 4.22(b) and Note 33 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.<br><br>Accounting for property development activities is inherently complex and there is judgment involved in the following areas:-<br><br>• determination of stage of completion<br>• estimated total property development costs and costs to be incurred to complete a project<br><br>We determined this to be a key audit matter given the complexity and judgmental nature of these activities. | Our procedures included, amongst others:-<br><br>• Reviewed estimated profit and costs to complete and adjustments for job costing and potential contract losses.<br><br>• Tested costs incurred to date to supporting documentation such as contractors' claim certificates.<br><br>• 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.<br><br>• Assessed the reasonableness of the percentage of completion by comparing to certification by external parties.<br><br>• For ongoing projects, checked for any variation orders and checked that changes to contracts and quotations with the contractors, if any, are properly supported.<br><br>• Tested sales of properties to signed sales and purchase agreements and billings raised to property buyers.<br><br>• 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. |

# INDEPENDENT AUDITORS' REPORT

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

**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 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.

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

As 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.

# INDEPENDENT AUDITORS' REPORT

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

## 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

1 September 2021

# STATEMENTS OF FINANCIAL POSITION

As At 31 May 2021

| | Note | The Group 2021 RM | The Group 2020 RM | The Company 2021 RM | The Company 2020 RM |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Investments in subsidiaries | 5 | - | - | 148,305,229 | 147,997,437 |
| Investment in an associate | 6 | - | - | - | - |
| Investment in joint ventures | 7 | 1,574,255 | 1,273,190 | - | - |
| Concession assets | 8 | 147,132,169 | 142,510,622 | - | - |
| Property, plant and equipment | 9 | 22,483,319 | 29,283,062 | 787,020 | 416,292 |
| Right-of-use assets | 10 | 19,898,021 | 21,038,932 | - | - |
| Investment properties | 11 | 72,619,718 | 76,109,386 | - | - |
| Inventories | 12 | 3,912,991 | 3,912,991 | - | - |
| Non-trade receivables | 17 | 3,035,058 | 2,890,822 | 99,150,019 | 68,919,805 |
| Other investments | 13 | 3,416,200 | 6,800,000 | 3,416,200 | 6,800,000 |
| Goodwill on consolidation | 14 | 22,754,268 | 23,002,326 | - | - |
| Deferred tax assets | 15 | 30,528,911 | 26,079,252 | - | - |
| | | 327,354,910 | 332,900,583 | 251,658,468 | 224,133,534 |
| **Current assets** | | | | | |
| Inventories | 12 | 796,316,951 | 833,859,716 | - | - |
| Contract costs | 16 | 3,756,968 | 1,437,986 | - | - |
| Trade and non-trade receivables | 17 | 150,287,569 | 142,312,783 | 140,493,157 | 138,841,558 |
| Contract assets | 20 | 184,554,472 | 157,334,650 | - | - |
| Current tax assets | | 7,644,370 | 8,474,286 | - | - |
| Short term funds | 21 | 103,248,369 | 94,876,316 | 18,832,658 | 25,752,648 |
| Deposits with licensed banks | 22 | 74,805,639 | 101,609,741 | 12,169,150 | 11,978,395 |
| Cash and bank balances | 23 | 108,055,283 | 106,340,321 | 6,026,382 | 18,546,990 |
| | | 1,428,669,621 | 1,446,245,799 | 177,521,347 | 195,119,591 |
| **TOTAL ASSETS** | | 1,756,024,531 | 1,779,146,382 | 429,179,815 | 419,253,125 |

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

# STATEMENTS OF FINANCIAL POSITION

As At 31 May 2021

| | Note | The Group 2021 RM | The Group 2020 RM | The Company 2021 RM | The Company 2020 RM |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 24 | 389,520,609 | 389,520,609 | 389,520,609 | 389,520,609 |
| Reserves | 25 | 427,099,158 | 424,540,571 | 24,230,222 | 28,936,028 |
| **Equity attributable to owners of the Company** | | 816,619,767 | 814,061,180 | 413,750,831 | 418,456,637 |
| Non-controlling interests | 26 | 4,996,903 | 4,742,080 | - | - |
| **Total equity** | | 821,616,670 | 818,803,260 | 413,750,831 | 418,456,637 |
| **Non-current liabilities** | | | | | |
| Bank borrowings | 27 | 250,912,461 | 163,769,222 | 14,062,500 | - |
| Lease liabilities | 29 | 4,563,595 | 5,710,248 | - | - |
| Deferred tax liabilities | 15 | 2,636,765 | 3,078,238 | 54,741 | 49,442 |
| Defined benefit obligations | 30 | 2,028,315 | 2,832,914 | - | - |
| Non-trade payables | 31 | 186,643,277 | 175,223,045 | - | - |
| | | 446,784,413 | 350,613,667 | 14,117,241 | 49,442 |
| **Current liabilities** | | | | | |
| Trade and non-trade payables | 31 | 271,820,641 | 399,049,106 | 164,576 | 256,387 |
| Contract liabilities | 20 | 60,869,730 | 87,922,285 | - | - |
| Bank borrowings | 27 | 148,407,202 | 114,625,279 | 937,500 | - |
| Lease liabilities | 29 | 4,863,301 | 4,947,372 | - | - |
| Current tax liabilities | | 1,662,574 | 3,185,413 | 209,667 | 490,659 |
| | | 487,623,448 | 609,729,455 | 1,311,743 | 747,046 |
| **Total liabilities** | | 934,407,861 | 960,343,122 | 15,428,984 | 796,488 |
| **TOTAL EQUITY AND LIABILITIES** | | 1,756,024,531 | 1,779,146,382 | 429,179,815 | 419,253,125 |
| **NET ASSETS PER ORDINARY SHARE (RM)** | 32 | 1.12 | 1.12 | | |

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

# STATEMENTS OF PROFIT OR LOSS

For The Financial Year Ended 31 May 2021

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 2021 | 2020 | 2021 | 2020 |
| | Note | RM | RM | RM | RM |
| Revenue | 33 | 574,767,491 | 673,056,446 | 10,538,000 | 20,563,000 |
| Cost of sales | 34 | (497,975,534) | (559,195,657) | - | - |
| **Gross profit** | | 76,791,957 | 113,860,789 | 10,538,000 | 20,563,000 |
| Other income | 35 | 9,992,415 | 12,706,994 | 6,911,323 | 7,900,946 |
| Administrative expenses | | (27,815,091) | (30,029,903) | (7,603,100) | (8,237,652) |
| Depreciation and amortisation | | (7,356,825) | (6,317,358) | (108,631) | (70,585) |
| Operating expenses | | (15,496,736) | (18,539,572) | (1,836,893) | (2,556,949) |
| Other expenses | | (12,582,990) | (6,710,077) | (4,313,180) | (6,400,440) |
| Net impairment losses on financial assets | | - | (294,115) | - | - |
| Profit from operations | | 23,532,730 | 64,676,758 | 3,587,519 | 11,198,320 |
| Finance costs | 39 | (3,764,767) | (4,201,313) | (229,114) | (22,015) |
| Share of results in joint ventures | | 301,065 | (1,143,045) | - | - |
| Profit before taxation | 36 | 20,069,028 | 59,332,400 | 3,358,405 | 11,176,305 |
| Income tax expense | 40 | (8,914,161) | (23,678,033) | (1,179,017) | (1,512,341) |
| **Profit after taxation** | | 11,154,867 | 35,654,367 | 2,179,388 | 9,663,964 |
| **Profit after taxation attributable to:-** | | | | | |
| Owners of the Company | | 10,792,232 | 35,463,337 | 2,179,388 | 9,663,964 |
| Non-controlling interests | | 362,635 | 191,030 | - | - |
| | | 11,154,867 | 35,654,367 | 2,179,388 | 9,663,964 |
| Basic earnings per share (sen) | 41 | 1.48 | 4.89 | | |
| Diluted earnings per share (sen) | 41 | 1.48 | 4.89 | | |

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

# STATEMENTS OF OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 May 2021

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 2021 | 2020 | 2021 | 2020 |
| | Note | RM | RM | RM | RM |
| **Profit after taxation** | | 11,154,867 | 35,654,367 | 2,179,388 | 9,663,964 |
| Other comprehensive income:- | | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | | |
| Actuarial gain on defined benefit obligations | 30 | 659,035 | 203,724 | - | - |
| Less: Deferred tax effect | | (144,987) | (50,931) | - | - |
| | | 514,048 | 152,793 | - | - |
| Item that will be reclassified subsequently to profit or loss | | | | | |
| Foreign currency translation | | (1,970,311) | 838,438 | - | - |
| **Total comprehensive income for the financial year** | | 9,698,604 | 36,645,598 | 2,179,388 | 9,663,964 |
| **Total comprehensive income attributable to:-** | | | | | |
| Owners of the Company | | 9,443,781 | 36,412,328 | 2,179,388 | 9,663,964 |
| Non-controlling interests | | 254,823 | 233,270 | - | - |
| | | 9,698,604 | 36,645,598 | 2,179,388 | 9,663,964 |

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

# STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 May 2021

| 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 gain 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** |

# STATEMENTS OF CHANGES IN EQUITY
For The Financial Year Ended 31 May 2021

| 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 | 43 | - | - | - | - | (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 2021

| 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 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** |
| Profit after taxation for the financial year | | - | - | - | - | 10,792,232 | **10,792,232** | 362,635 | **11,154,867** |
| Other comprehensive expenses for the financial year: | | | | | | | | | |
| - Actuarial gain on defined benefit obligations | | - | - | - | - | 514,048 | **514,048** | - | **514,048** |
| - Foreign currency translation differences | | - | - | - | (1,862,499) | - | **(1,862,499)** | (107,812) | **(1,970,311)** |
| Total comprehensive income for the financial year | | - | - | - | (1,862,499) | 11,306,280 | **9,443,781** | 254,823 | **9,698,604** |
| Balance carried forward | | 389,520,609 | 5,680,518 | 1,346,681 | (3,597,834) | 430,554,987 | **823,504,961** | 4,996,903 | **828,501,864** |

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

# STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 May 2021

| 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 | | 389,520,609 | 5,680,518 | 1,346,681 | (3,597,834) | 430,554,987 | **823,504,961** | 4,996,903 | **828,501,864** |
| Contributions by and distribution to owners of the Company: | | | | | | | | | |
| - Dividend | 43 | - | - | - | - | (7,280,610) | **(7,280,610)** | - | **(7,280,610)** |
| - Recognition of share option expenses | | - | 395,416 | - | - | - | **395,416** | - | **395,416** |
| - ESOS lapsed | | - | (546,526) | - | - | 546,526 | **-** | - | **-** |
| Total transactions with owners | | - | (151,110) | - | - | (6,734,084) | **(6,885,194)** | - | **(6,885,194)** |
| **31 May 2021** | | **389,520,609** | **5,529,408** | **1,346,681** | **(3,597,834)** | **423,820,903** | **816,619,767** | **4,996,903** | **821,616,670** |

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

# STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 May 2021

| The Company | Note | Share Capital RM | Share Option Reserves RM | Retained Profits RM | Total RM |
|---|---|---|---|---|---|
| **At 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 | 43 | - | - | (8,736,732) | (8,736,732) |
| Total transactions with owners | | 51,140,314 | 1,225,788 | (8,553,132) | 43,812,970 |
| **At 31 May 2020/1 June 2020** | | **389,520,609** | **5,680,518** | **23,255,510** | **418,456,637** |
| Profit after taxation for the financial year | | - | - | 2,179,388 | 2,179,388 |
| Contributions by and distribution to owners of the Company: | | | | | |
| - Recognition of share option expenses | | - | 395,416 | - | 395,416 |
| - ESOS lapsed | | - | (546,526) | 546,526 | - |
| - Dividend | 43 | - | - | (7,280,610) | (7,280,610) |
| Total transactions with owners | | - | (151,110) | (6,734,084) | (6,885,194) |
| **31 May 2021** | | **389,520,609** | **5,529,408** | **18,700,814** | **413,750,831** |

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

# STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 May 2021

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| **Cash flows (for)/from operating activities** | | | | |
| Profit before tax | 20,069,028 | 59,332,400 | 3,358,405 | 11,176,305 |
| Adjustments for: | | | | |
| Accretion of interest on: | | | | |
| - trade and non-trade receivables | (84,262) | (75,844) | - | - |
| - amount owing to a director | 52,757 | 47,486 | - | - |
| Bad debts recovered | (373) | (1,235) | - | - |
| Bad debts written off | 6,525 | 26,000 | - | - |
| Concession assets written off | 4,573 | - | - | - |
| Deposit written off | 8,600 | 500 | - | - |
| Depreciation of: | | | | |
| - concession assets | 2,783,350 | 2,628,096 | - | - |
| - investment properties | 966,202 | 904,660 | - | - |
| - property, plant and equipment | 5,191,449 | 9,313,845 | 108,631 | 70,585 |
| - right-of-use assets | 5,109,496 | 4,734,938 | - | - |
| Dividend received from subsidiaries | - | - | (2,500,000) | (11,800,000) |
| Dividend received from short term funds | (1,411,345) | (2,052,443) | (404,765) | (1,068,410) |
| Fair value loss on quoted investments | 2,838,200 | 6,400,000 | 2,838,200 | 6,400,000 |
| Impairment loss on: | | | | |
| - concession assets | 573,339 | - | - | - |
| - inventories | 7,946,275 | - | - | - |
| - investment properties | - | 50,492 | - | - |
| - trade and non-trade receivables | - | 294,115 | - | - |
| Interest expense on: | | | | |
| - bank borrowings | 5,097,087 | 6,733,306 | 229,114 | 22,015 |
| - lease liabilities | 492,839 | 900,901 | - | - |
| Interest income | (2,274,910) | (4,393,472) | (6,198,841) | (6,367,956) |
| Inventories written down | - | 549,954 | - | - |
| Net (decrease)/increase in liability for defined benefit obligations | (64,216) | 433,584 | - | - |

# STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 May 2021

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| **Cash flows (for)/from operating activities (Cont'd)** | | | | |
| Adjustments for: (Cont'd) | | | | |
| Net gain on disposal of: | | | | |
| - investment properties | (156,534) | (874,140) | - | - |
| - other investments | (57,670) | - | (57,670) | - |
| - property, plant and equipment | (2,590,386) | (2,887,920) | - | - |
| - right-of-use assets | (263,239) | (156,660) | - | - |
| Net unrealised loss/(gain) on foreign exchange | 817,046 | (519,324) | 1,472,137 | (404,719) |
| Share of results in joint ventures | (301,065) | 1,143,045 | - | - |
| Share option expenses | 395,415 | 1,452,782 | 395,416 | 1,452,782 |
| Share option expenses charged to subsidiaries | - | - | (307,792) | (1,155,346) |
| Property, plant and equipment written off | 21,667 | 54,133 | 154 | 440 |
| Operating profit/(loss) before working capital changes | 45,169,848 | 84,039,199 | (1,067,011) | (1,674,304) |
| Changes in working capital:- | | | | |
| Net (increase)/decrease in contract assets/(liabilities) | (54,272,377) | 73,101,803 | - | - |
| Increase in contract costs | (2,318,982) | (387,661) | - | - |
| (Increase)/Decrease in inter-company balances | - | - | (20,887,243) | 1,759,908 |
| Decrease in inventories | 29,596,490 | 24,521,042 | - | - |
| Decrease in payables | (114,999,424) | (28,416,691) | (91,811) | (117,586) |
| (Increase)/Decrease in receivables | (8,049,512) | 20,530,309 | 274,363 | (257,574) |
| Cash (used in)/generated from operations | (104,873,957) | 173,388,001 | (21,771,702) | (289,556) |
| Net income tax paid | (14,648,441) | (37,542,955) | (1,454,710) | (2,359,605) |
| **Net Operating Cash Flows** | (119,522,398) | 135,845,046 | (23,226,412) | (2,649,161) |

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

# STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 May 2021

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| **Cash flows (for)/from investing activities** | | | | |
| Acquisition of: | | | | |
| - concession assets | (11,245,258) | (17,482,564) | - | - |
| - investment properties | - | (119,100) | - | - |
| - property, plant and equipment (Note 44(a)) | (2,354,030) | (2,955,382) | (480,262) | (125,176) |
| - right-of-use assets (Note 44(a)) | (61,325) | (54,306) | - | - |
| Dividends received from subsidiaries | - | - | 2,500,000 | 11,800,000 |
| Dividends received from short term funds | 1,411,345 | 2,052,443 | 404,765 | 1,068,410 |
| Interest received | 2,274,910 | 4,393,472 | 341,077 | 793,558 |
| Investment in a new subsidiary (Note 42) | - | (4,885,517) | - | - |
| Additional investment in existing subsidiaries | - | - | - | (7,499,999) |
| Proceeds from disposal of: | | | | |
| - investment properties | 2,680,000 | 2,205,240 | - | - |
| - other investment | 603,270 | 100,000 | 603,270 | - |
| - property, plant and equipment | 2,618,831 | 3,063,599 | 749 | - |
| - right-of-use assets | 897,500 | 757,892 | - | - |
| Net advances to subsidiaries | - | - | (6,846,740) | (2,023,058) |
| **Net Investing Cash Flows** | (3,174,757) | (12,924,223) | (3,477,141) | 4,013,735 |

# STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 May 2021

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| **Cash flows from/(for) financing activities** | | | | |
| Dividends paid | (7,280,610) | (8,736,732) | (7,280,610) | (8,736,732) |
| Drawdown of bank borrowings | 186,233,819 | 108,060,000 | 15,000,000 | - |
| Drawdown of lease liabilities | 3,636,177 | - | - | - |
| Fixed deposits pledged as security values | 21,446,815 | (13,171,288) | (190,755) | (306,703) |
| Interest expense on: | | | | |
| - bank borrowings | (5,097,087) | (6,733,306) | (229,114) | (22,015) |
| - lease liabilities | (492,839) | (900,901) | - | - |
| Proceeds from issuance of: | | | | |
| - share capital | - | 50,952,440 | - | 50,952,440 |
| - ESOS exercised | - | 144,480 | - | 144,480 |
| Repayment of: | | | | |
| - bank borrowings | (60,736,462) | (155,894,098) | - | (5,500,000) |
| - lease liabilities | (5,410,901) | (9,629,241) | - | - |
| **Net Financing Cash Flows** | 132,298,912 | (35,908,646) | 7,299,521 | 36,531,470 |
| **Net change in cash and cash equivalents** | 9,601,757 | 87,012,177 | (19,404,032) | 37,896,044 |
| Effect of exchange rate changes on cash and cash equivalents | (656,411) | 520,228 | (36,566) | (10,889) |
| **Cash and cash equivalents at the beginning of the financial year** | 213,127,215 | 125,594,810 | 44,299,638 | 6,414,483 |
| **Cash and cash equivalents at the end of the financial year (Note 44(c))** | 222,072,561 | 213,127,215 | 24,859,040 | 44,299,638 |

# NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2021

## 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 1 September 2021.

## 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)**
Amendments to MFRS 3: Definition of a Business
Amendments to MFRS 4: Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108: Definition of Material
Amendments to References to the Conceptual Framework in MFRS Standards

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.

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: Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2 | 1 January 2021 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |
| Amendment to MFRS 16: COVID-19-Related Rent Concessions | 1 June 2020 |
| Amendment to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021 | 1 April 2021 |
| Amendments to MFRS 17 Insurance Contracts | 1 January 2023 |
| Amendment to MFRS 101: Classification of Liabilities as Current or Non-current | 1 January 2023 |

## 3. BASIS OF PREPARATION (CONT'D)

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:- (Cont'd)

| MFRSs and/or IC Interpretations (Including the Consequential Amendments) | Effective Date |
|---|---|
| Amendments to MFRS 101: Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to MFRS 108: Definition of Accounting Estimates | 1 January 2023 |
| Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 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 |
| 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.

IFRIC Agenda Decision on MFRS 123 "Borrowing Costs"

In March 2019, the IFRS Interpretations Committee (IFRIC) published an agenda decision confirming, receivables, contract assets and inventories for which revenue is recognised over time are non-qualifying assets. On 20 March 2019, the MASB decided that an entity shall apply the change in accounting policy as a result of the IFRIC Agenda Decision to financial statements of annual periods beginning on or after 1 July 2020.

The Group will adopt IFRIC Agenda Decision on MFRS 123 "Borrowing Costs" in the coming financial year ending 31 May 2022 and is currently assessing its potential impact on the change in accounting policies on borrowing costs incurred on properties constructed where control was transferred over time.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Critical Accounting Estimates and Judgements

The outbreak of the COVID-19 has brought unprecedented challenges and added economic uncertainties in Malaysia and markets in which the Group operates. While the Group has considered the potential financial impact of the COVID-19 pandemic in the preparation of these financial statements, the full financial impact to the Group remains uncertain. Accordingly, there is a possibility that factors not currently anticipated by management could occur in the future and therefore affect the recognition and measurement of the Group's assets and liabilities at the reporting date.

*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 RM7,644,370 (2020 - RM8,474,286) and RM1,662,574 (2020 - RM3,185,413) respectively.

**(b) Impairment of Investment Properties**

The Group determines whether an item of 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 which are subject to higher degree of estimation uncertainties due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in markets in which the Group operates. 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.1 Critical Accounting Estimates and Judgements (Cont'd)

*Key Sources of Estimation Uncertainty (Cont'd)*

**(c) Revenue and Cost Recognition of Property Development Activities (Cont'd)**

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.

**(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 (including changes in the customer payment profile in response to the COVID-19 pandemic) 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 respectively.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.1 Critical Accounting Estimates and Judgements (Cont'd)

*Key Sources of Estimation Uncertainty (Cont'd)*

**(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. It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. 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 information incorporating the impact of COVID-19 pandemic. 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 respectively.

**(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.

**(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.

## 4. Significant Accounting Policies (Cont'd)

### 4.1 Critical Accounting Estimates and Judgements (Cont'd)

*Key Sources of Estimation Uncertainty (Cont'd)*

**(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.

*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).

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.1 Critical Accounting Estimates and Judgements (Cont'd)

*Critical Judgements Made in Applying Accounting Policies (Cont'd)*

**(c) Contingent Liabilities**

The recognition and measurement for contingent liabilities are 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.

### 4.2 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 or a component that is a financial 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.2 Financial Instruments (Cont'd)

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.

*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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.2 Financial Instruments (Cont'd)

#### (a) Financial Assets (Cont'd)

*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.

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).

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.2 Financial Instruments (Cont'd)

#### (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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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.

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 related to non-controlling interests is derecognised but is not reclassified to profit or loss.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.3 Functional and Foreign Currencies (Cont'd)**

**(c) Foreign Operations (Cont'd)**

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.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.4 Basis of Consolidation (Cont'd)

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 May 2021

**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 2021. The Group's share of the post-acquisition profits and other comprehensive income of the associate is included in the consolidated statements 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 2021. The Group's share of the post-acquisition profits and other comprehensive income of the joint venture is included in the consolidated statements 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.

# NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2021

## 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:-

| | |
|---|---|
| Buildings | 2% - 12.5% |
| Plant and machinery | 10% - 20% |
| Tools and equipment | 10% - 20% |
| Office equipment | 10% - 33.3% |
| Furniture and fittings | 10% |
| Motor vehicles | 10% - 25% |
| Renovation | 10% |

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.

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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2021

## 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.

## 5. INVESTMENTS IN SUBSIDIARIES

| | The Company 2021 RM | The Company 2020 RM |
|---|---|---|
| Unquoted shares, at cost | 135,699,389 | 135,699,389 |
| Amount owing by subsidiaries | 14,372,774 | 14,372,774 |
| Share options granted to employees of subsidiaries | 6,943,066 | 6,635,274 |
| | 157,015,229 | 156,707,437 |
| Allowance for impairment loss | (8,710,000) | (8,710,000) |
| | 148,305,229 | 147,997,437 |

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 2021 % | Percentage of Issued Share Capital Held by Parent 2020 % | Principal Activities |
|---|---|---|---|---|
| Gadang Engineering (M) Sdn Bhd and its subsidiaries | Malaysia | 100 | 100 | Earthworks, building and civil engineering construction works 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 2021

## 5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

| Name of Subsidiary | Principal Place of Business/ Country of Incorporation | Percentage of Issued Share Capital Held by Parent 2021 % | 2020 % | 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 | 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 | Solar power plant producer |
| 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 2021 % | 2020 % | 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 2021

## 5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

| Name of Subsidiary | Principal Place of Business/ Country of Incorporation | Percentage of Issued Share Capital Held by Parent 2021 % | 2020 % | 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.*

(a) In the previous financial year, 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 42 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 2021 RM | 2020 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 2021 % | 2020 % | Principal Activity |
|---|---|---|---|---|
| Maha Abadi Sdn Bhd | Malaysia | 25 | 25 | Dormant |

## 7. INVESTMENT IN JOINT VENTURES

| | The Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| Unquoted shares, at cost | 510,001 | 510,001 |
| Share of post-acquisition reserves | 1,064,254 | 763,189 |
| | 1,574,255 | 1,273,190 |

The details of the joint ventures are as follows:-

| Name of Joint Venture | Principal Place of Business/ Country of Incorporation | Percentage of Ownership 2021<br>% | 2020<br>% | 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 | Civil enginnering 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.

(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.

# NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2021

## 7. INVESTMENT IN JOINT VENTURES (CONT'D)

(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 | |
|---|---|---|
| | 2021 | 2020 |
| At 31 May | RM | RM |
| Non-current assets | 3,147,707 | 3,926,033 |
| Current assets | 33,725,603 | 31,768,020 |
| Non-current liabilities | - | - |
| Current liabilities | (34,448,655) | (33,745,254) |
| Net assets | 2,424,655 | 1,948,799 |
| Financial year ended 31 May | | |
| Revenue | 54,250,112 | 54,849,237 |
| Depreciation of plant and equipment | (610,446) | (640,011) |
| Income tax expense | (178,759) | 687,041 |
| Profit/(Loss) after taxation for the financial year | 475,856 | (2,333,688) |
| Other comprehensive income | - | - |
| Total comprehensive income/(expenses) | 475,856 | (2,333,688) |
| Group's share of profit/(loss) for the financial year | 242,687 | (1,190,181) |
| Group's share of other comprehensive income | - | - |
| Reconciliation of Net Assets to Carrying Amount | | |
| Group's share of net assets above | 1,236,574 | 993,887 |
| Carrying amount of Group's interest in this joint venture | 1,236,574 | 993,887 |

(d) The summarised unaudited financial information (after the alignment for the Group's accounting policies) for the other joint venture that is immaterial to the Group is as follows:-

| | Other Immaterial Joint Venture | |
|---|---|---|
| | 2021 | 2020 |
| Financial year ended 31 May | RM | RM |
| Group's share of profit for the financial year | 58,378 | 47,136 |
| Group's share of other comprehensive income | - | - |
| Group's share of total comprehensive income | 58,378 | 47,136 |
| Aggregate carrying amount of the Group's interests in joint venture | 337,681 | 279,303 |

## 8. CONCESSION ASSETS

| | The Group | |
|---|---|---|
| | 2021 | 2020 |
| **Cost** | RM | RM |
| At 1 June | 170,850,377 | 151,728,311 |
| Additions | 11,245,258 | 17,482,564 |
| Writeoff | (27,398) | - |
| Foreign exchange difference | (4,078,761) | 1,639,502 |
| At 31 May | 177,989,476 | 170,850,377 |
| **Accumulated depreciation** | | |
| At 1 June | (28,033,917) | (25,095,618) |
| Charge for the financial year (Note 36) | (2,783,350) | (2,628,096) |
| Writeoff | 22,825 | - |
| Foreign exchange difference | 808,074 | (310,203) |
| At 31 May | (29,986,368) | (28,033,917) |
| **Accumulated impairment loss** | | |
| At 1 June | (305,838) | (302,749) |
| Additions during the financial year (Note 36) | (573,339) | - |
| Foreign exchange difference | 8,238 | (3,089) |
| At 31 May | (870,939) | (305,838) |
| Carrying value | 147,132,169 | 142,510,622 |

Concession assets with an aggregate carrying value of RM123,500,507 (2020 - RM112,753,545) are pledged to licensed banks as security for credit facilities granted to subsidiaries as disclosed in Note 28 to the financial statements.

During the financial year, a 95% owned subsidiary of the Group has carried out a review of the recoverable amount of its concession assets because the subsidiary had been persistently making losses. An impairment loss of RM573,339 (2020 - Nil), representing the write-down of the concession assets to the recoverable amount was recognised in "Other Expenses" line item of the statements of profit or loss and other comprehensive income as disclosed in Note 36 to the financial statements. The recoverable amount was based on its fair value less cost to sell.

## 9. Property, Plant And Equipment

| The Group | Freehold 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 2021** | | | | | | | | | |
| **Cost** | | | | | | | | | |
| At 1 June | 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 |
| Reclassification (Note 10) | - | - | (4,476,986) | - | - | - | - | - | (4,476,986) |
| Additions (Note 44(a)) | - | - | 1,103,118 | 637,357 | 594,410 | 2,920 | 16,225 | - | 2,354,030 |
| Disposals/Writeoff | - | - | (9,834,860) | (93,000) | (251,097) | (971,379) | (1,659,176) | (641,695) | (13,451,207) |
| Foreign exchange difference | - | (576) | 48,777 | 12,456 | (15,399) | - | (18,876) | (1,387) | 24,995 |
| At 31 May | 2,860,000 | 9,106,566 | 100,174,369 | 18,243,229 | 4,729,434 | 1,552,988 | 7,924,027 | 2,800,673 | 147,391,286 |
| **Accumulated depreciation** | | | | | | | | | |
| At 1 June | - | 3,573,167 | 100,025,034 | 10,656,578 | 2,849,998 | 1,988,419 | 8,906,214 | 1,965,966 | 129,965,376 |
| Reclassification (Note 10) | - | - | (522,315) | - | - | - | - | - | (522,315) |
| Charge for the financial year: | | | | | | | | | |
| - recognised in profit or loss (Note 36) | - | 181,930 | 503,519 | 259,055 | 383,569 | 130,763 | 93,039 | 206,739 | 1,758,614 |
| - recognised in cost of sales (Note 34) | - | - | 1,069,934 | 2,180,866 | 108,825 | - | 73,210 | - | 3,432,835 |
| | - | 181,930 | 1,573,453 | 2,439,921 | 492,394 | 130,763 | 166,249 | 206,739 | 5,191,449 |
| Disposals/Writeoff | - | - | (9,698,109) | (85,250) | (229,431) | (970,628) | (1,639,275) | (641,695) | (13,264,388) |
| Foreign exchange difference | - | (569) | 9,300 | 415 | (13,520) | - | (11,678) | (1,387) | (17,439) |
| At 31 May | - | 3,754,528 | 91,387,363 | 13,011,664 | 3,099,441 | 1,148,554 | 7,421,510 | 1,529,623 | 121,352,683 |

# NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2021

## 9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| The Group | Freehold 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 2021** | | | | | | | | | |
| **Accumulated impairment loss** | | | | | | | | | |
| At 1 June | - | - | 3,691,063 | - | 953 | - | - | - | 3,692,016 |
| Disposals/Writeoff | - | - | (136,706) | - | - | - | - | - | (136,706) |
| Foreign exchange difference | - | - | - | - | (26) | - | - | - | (26) |
| At 31 May | - | - | 3,554,357 | - | 927 | - | - | - | 3,555,284 |
| **Carrying value** | 2,860,000 | 5,352,038 | 5,232,649 | 5,231,565 | 1,629,066 | 404,434 | 502,517 | 1,271,050 | 22,483,319 |

## 9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| The Group | Freehold 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 | 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 44(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 | 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 | - | 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 36) | - | 179,035 | 585,837 | 462,984 | 351,340 | 167,667 | 57,306 | 214,026 | 2,018,195 |
| - recognised in cost of sales (Note 34) | - | - | 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 |

## 9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| The Group | Freehold 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 Company | Motor vehicles RM | Furniture and fittings RM | Office equipment RM | Total RM |
|---|---|---|---|---|
| **31 May 2021** | | | | |
| **Cost** | | | | |
| At 1 June | 13,768 | 200,502 | 463,585 | 677,855 |
| Additions (Note 44(a)) | - | 1,120 | 479,142 | 480,262 |
| Writeoff | - | (988) | (2,633) | (3,621) |
| At 31 May | 13,768 | 200,634 | 940,094 | 1,154,496 |
| **Accumulated depreciation** | | | | |
| At 1 June | 7,114 | 67,468 | 186,981 | 261,563 |
| Charge for the financial year (Note 36) | 2,753 | 19,185 | 86,693 | 108,631 |
| Writeoff | - | (239) | (2,479) | (2,718) |
| At 31 May | 9,867 | 86,414 | 271,195 | 367,476 |
| **Carrying value** | 3,901 | 114,220 | 668,899 | 787,020 |
| **31 May 2020** | | | | |
| **Cost** | | | | |
| At 1 June | 13,768 | 182,927 | 357,744 | 554,439 |
| Additions (Note 44(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 36) | 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 |

The Group's land and buildings with an aggregate carrying value of RM8,212,038 (2020 - RM8,393,754) are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 28 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 May 2021

## 10. Right-Of-Use Assets

| The Group | Leasehold land RM | Plant and machinery RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|
| **31 May 2021** | | | | |
| **Cost** | | | | |
| At 1 June | 4,960,541 | 22,572,915 | 9,420,366 | 36,953,822 |
| Reclassification (Note 9) | - | 4,476,986 | - | 4,476,986 |
| Additions (Note 44(a)) | - | - | 605,325 | 605,325 |
| Disposals | - | (1,295,000) | (714,209) | (2,009,209) |
| Foreign exchange difference | - | 68,234 | - | 68,234 |
| At 31 May | 4,960,541 | 25,823,135 | 9,311,482 | 40,095,158 |
| **Accumulated depreciation** | | | | |
| At 1 June | 393,346 | 9,394,282 | 6,127,262 | 15,914,890 |
| Reclassification (Note 9) | - | 522,315 | - | 522,315 |
| Charge for the financial year: | | | | |
| - recognised in profit or loss (Note 36) | 54,306 | 1,191,620 | 602,733 | 1,848,659 |
| - recognised in cost of sales (Note 34) | - | 2,481,267 | 779,570 | 3,260,837 |
| | 54,306 | 3,672,887 | 1,382,303 | 5,109,496 |
| Disposals | - | (809,688) | (565,261) | (1,374,949) |
| Foreign exchange difference | - | 25,385 | - | 25,385 |
| At 31 May | 447,652 | 12,805,181 | 6,944,304 | 20,197,137 |
| **Carrying value** | 4,512,889 | 13,017,954 | 2,367,178 | 19,898,021 |

## 10. RIGHT-OF-USE ASSETS (CONT'D)

| The Group | Leasehold land RM | Plant and machinery RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|
| **31 May 2020** | | | | |
| **Cost** | | | | |
| At 1 June | 4,960,541 | 28,468,078 | 9,563,944 | 42,992,563 |
| Additions (Note 44(a)) | - | - | 416,006 | 416,006 |
| Disposals | - | (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 | 339,040 | 7,499,225 | 4,956,569 | 12,794,834 |
| Charge for the financial year: | | | | |
| - recognised in profit or loss (Note 36) | 54,306 | - | 712,101 | 766,407 |
| - recognised in cost of sales (Note 34) | - | 3,110,962 | 857,569 | 3,968,531 |
| | 54,306 | 3,110,962 | 1,569,670 | 4,734,938 |
| Disposals | - | (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 |

(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 lease arrangement on the use of land 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 RM4,397,689 (2020 - 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 29 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2021

## 11. Investment Properties

| | The Group | |
|---|---|---|
| | 2021 | 2020 |
| **Cost** | RM | RM |
| At 1 June | 82,535,636 | 83,854,736 |
| Additions during the financial year | - | 119,100 |
| Disposal | (5,230,000) | (1,438,200) |
| At 31 May | 77,305,636 | 82,535,636 |
| **Accumulated depreciation** | | |
| At 1 June | 3,378,758 | 2,581,198 |
| Charge for the financial year (Note 36) | 966,202 | 904,660 |
| Disposal | (906,534) | (107,100) |
| At 31 May | 3,438,426 | 3,378,758 |
| **Accumulated impairment loss** | | |
| At 1 June | 3,047,492 | 2,997,000 |
| Additions during the financial year (Note 36) | - | 50,492 |
| Disposal | (1,800,000) | - |
| At 31 May | 1,247,492 | 3,047,492 |
| **Carrying value** | 72,619,718 | 76,109,386 |
| Represented by:- | | |
| Freehold lands | 222,800 | 222,800 |
| Leasehold lands | 71,955,917 | 72,843,386 |
| Buildings | 441,001 | 3,043,200 |
| | 72,619,718 | 76,109,386 |

Investment properties with an aggregate carrying value of RM66,091,691 (2020 - RM66,859,853) 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 RM82,710,939 (2020 - RM87,659,776) based on directors' assessment of the current prices in an active market for the respective properties within each vicinity.

## 12. Inventories

| | The Group | |
|---|---|---|
| | 2021 | 2020 |
| **Non-current:-** | RM | RM |
| Land held for property development (Note 12(a)) | 3,912,991 | 3,912,991 |
| **Current:-** | | |
| Property development costs (Note 12(b)) | 761,035,520 | 772,425,017 |
| Developed properties held for sale (Note 12(c)) | 35,200,105 | 61,378,737 |
| Raw materials | 81,326 | 55,962 |
| | 796,316,951 | 833,859,716 |

## 12. INVENTORIES (CONT'D)

### (a) Land Held for Property Development

| | The Group 2021 RM | The Group 2020 RM |
|---|---|---|
| At 1 June | 3,912,991 | 3,905,097 |
| Cost incurred during the financial year | - | 7,894 |
| At 31 May | 3,912,991 | 3,912,991 |
| Represented by:- | | |
| Freehold land | 3,693,200 | 3,693,200 |
| Development costs | 219,791 | 219,791 |
| | 3,912,991 | 3,912,991 |

### (b) Property Development Costs

| The Group | Freehold land RM | Right-of-use assets (Leasehold land) RM | Development costs RM | Total RM |
|---|---|---|---|---|
| **At 31 May 2021** | | | | |
| **Cumulative property development cost** | | | | |
| At 1 June | 520,780,058 | 84,979,047 | 279,053,041 | 884,812,146 |
| Cost incurred during the financial year | 21,153,129 | - | 98,631,193 | 119,784,322 |
| (Reduction)/Addition in land proprietary entitlement | (10,651,523) | 31,970 | - | (10,619,553) |
| At 31 May | 531,281,664 | 85,011,017 | 377,684,234 | 993,976,915 |
| **Cumulative costs recognised in profit or loss** | | | | |
| At 1 June | (7,505,527) | (12,509,775) | (92,371,827) | (112,387,129) |
| Cost recognised during the financial year | (10,354,832) | (16,464,426) | (85,788,733) | (112,607,991) |
| At 31 May | (17,860,359) | (28,974,201) | (178,160,560) | (224,995,120) |
| **Accumulated impairment loss** | | | | |
| At 1 June | - | - | - | - |
| Additions during the financial year (Note 36) | - | - | (7,946,275) | (7,946,275) |
| At 31 May | - | - | (7,946,275) | (7,946,275) |
| **Property development cost at 31 May 2021** | 513,421,305 | 56,036,816 | 191,577,399 | 761,035,520 |

# NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2021

## 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 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 |

(i) Included in development costs is interest expense capitalised during the financial year amounting to RM9,803,814 (2020 - RM9,988,412).

(ii) The lands under development of the Group with an aggregate carrying value of RM285,343,612 (2020 - RM173,763,742) 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 RM108,148,025 (2020 - RM111,362,177);

## 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 RM126,142,808 (2020 - RM143,290,989); 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 RM14,804,616 (2020 - RM28,893,712).

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.

(iv) During the financial year, an impairment loss of RM7,946,275 (2020 - Nil), representing the write-down of the development costs to their recoverable amount was recognised in "Other Expenses" line item of the statements of profit or loss disclosed in Note 36 to the financial statements. The recoverable amount was based on its fair value less cost to sell.

### (c) Developed Properties Held for Sales

The developed properties held for sales amounting to RM26,108,015 (2020 - RM41,009,325) 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 | |
|---|---|---|
| | 2021 | 2020 |
| **Recognised in profit or loss:-** | RM | RM |
| Developed properties held for sales recognised as cost of sales | 26,178,632 | 22,837,186 |
| Amount written down to net realisable value | - | 549,954 |

## 13. OTHER INVESTMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Quoted shares, at fair value | 3,416,200 | 6,800,000 | 3,416,200 | 6,800,000 |

## 14. GOODWILL ON CONSOLIDATION

| | The Group | |
|---|---|---|
| | 2021 | 2020 |
| **Cost** | RM | RM |
| At 1 June | 42,151,610 | 36,561,423 |
| Acquisition of a subsidiary (Note 42) | - | 5,447,048 |
| Foreign exchange difference | (248,058) | 143,139 |
| At 31 May | 41,903,552 | 42,151,610 |
| **Accumulated impairment loss** | | |
| At 1 June/31 May | (19,149,284) | (19,149,284) |
| Carrying value | 22,754,268 | 23,002,326 |

(a) The carrying amounts of goodwill allocated to each cash-generating unit are as follows:-

| | The Group | |
|---|---|---|
| | 2021 | 2020 |
| | RM | RM |
| Construction | 5,536,683 | 5,473,455 |
| Property development | 5,939,203 | 5,939,203 |
| Power concession | 5,158,707 | 5,300,590 |
| Water concession | 6,119,675 | 6,289,078 |
| | 22,754,268 | 23,002,326 |

(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.

For property development, the value in use approach is derived from the future cash flows from the Conditional Settlement Agreement as disclosed in Note 49(a) to the financial statements.

For construction, power concession and water concession, 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 for the value in use approach are as follows:-

| | Gross Margin | | Growth Rate | | Discount Rate | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | % | % | % | % | % | % |
| Construction | 2 - 7 | 5 - 10 | Nil | Nil | 8 | 13 |
| Power concession | 80 - 87 | 64 - 90 | 3 - 5 | 3 - 5 | 11 | 15 |
| Water concession | 56 - 75 | 60 - 79 | 3 - 7 | 3 - 7 | 11 | 15 |

## 14. GOODWILL ON CONSOLIDATION (CONT'D)

(b) (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.

## 15. DEFERRED TAX LIABILITIES/(ASSETS)

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| At 1 June | (23,001,014) | (14,166,277) | 49,442 | - |
| Recognised in profit or loss (Note 40) | (5,037,408) | (8,886,530) | 5,299 | 49,442 |
| Recognised in other comprehensive income | 144,987 | 50,931 | - | - |
| Acquisition of subsidiaries | - | 6,382 | - | - |
| Foreign exchange difference | 1,289 | (5,520) | - | - |
| At 31 May | (27,892,146) | (23,001,014) | 54,741 | 49,442 |
| Presented after appropriate offsetting as follows:- | | | | |
| Deferred tax liabilities | 2,636,765 | 3,078,238 | 54,741 | 49,442 |
| Deferred tax assets | (30,528,911) | (26,079,252) | - | - |
| | (27,892,146) | (23,001,014) | 54,741 | 49,442 |

# NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2021

## 15. DEFERRED TAX LIABILITIES/(ASSETS) (CONT'D)

Deferred tax assets and liabilities are attributable to the following items:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Deferred tax assets:-** | RM | RM | RM | RM |
| Employee benefits | (390,001) | (565,457) | - | - |
| Impairment loss on receivables | (22,143) | (107,388) | - | - |
| Inventories written down | - | (609,665) | - | - |
| Unrealised profit | (16,544,983) | (13,943,807) | - | - |
| Unused tax losses | (3,240,363) | (2,338,184) | - | - |
| Unabsorbed capital allowances | (4,082,563) | (1,335,223) | - | - |
| Provisions | (3,373,769) | (5,247,810) | - | - |
| Timing differences on allowable expenses | (3,289,600) | (1,909,514) | - | - |
| Deferred tax assets (before offsetting) | (30,943,422) | (26,057,048) | - | - |
| Offsetting | 414,511 | (22,204) | - | - |
| Deferred tax assets (after offsetting) | (30,528,911) | (26,079,252) | - | - |
| **Deferred tax liabilities:-** | | | | |
| Accretion of interest on payables | - | 477 | - | - |
| Accelerated capital allowances over depreciation | 1,478,864 | 1,473,029 | 54,741 | 49,442 |
| Surplus of revaluation reserves on land | 1,572,412 | 1,582,528 | - | - |
| Deferred tax liabilities (before offsetting) | 3,051,276 | 3,056,034 | 54,741 | 49,442 |
| Offsetting | (414,511) | 22,204 | - | - |
| Deferred tax liabilities (after offsetting) | 2,636,765 | 3,078,238 | 54,741 | 49,442 |

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 RM15,412,083 (2020 - RM12,345,804) and RM681,105 (2020 - RM640,125) 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.

For the Malaysia entities, 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 | |
|---|---|---|
| | 2021 | 2020 |
| | RM | RM |
| Incremental costs of obtaining contracts | 3,756,968 | 1,437,986 |

The incremental costs of obtaining contracts 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.

## 17. TRADE AND NON-TRADE RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Trade receivables | 88,025,267 | 74,550,328 | - | - |
| Amount owing by subsidiaries (Note 18) | - | - | 239,361,663 | 207,205,487 |
| Amount owing by joint ventures (Note 19) | 11,666,482 | 11,138,231 | - | - |
| Non-trade receivables | 41,750,308 | 37,427,830 | 6,784,051 | 6,764,351 |
| Prepayments | 7,064,361 | 10,351,219 | 231,262 | 227,700 |
| Deposits | 6,406,540 | 7,255,444 | 16,200 | 313,825 |
| Goods and services tax recoverable | 90,830 | 421,583 | - | - |
| Advances to subcontractors | 5,359,670 | 11,536,265 | - | - |
| | 60,671,709 | 66,992,341 | 7,031,513 | 7,305,876 |
| *Less: Impairment loss* | | | | |
| At 1 June | (7,195,412) | (6,901,297) | (6,750,000) | (6,750,000) |
| Additions during the financial year | - | (294,115) | - | - |
| Written off | 352,202 | - | - | - |
| At 31 May | (6,843,210) | (7,195,412) | (6,750,000) | (6,750,000) |
| *Less: Accretion of interest* | | | | |
| At 1 June | (281,883) | (357,727) | - | - |
| Reversal during the financial year | 84,262 | 75,844 | - | - |
| At 31 May | (197,621) | (281,883) | - | - |
| Non-trade receivables, net | 53,630,878 | 59,515,046 | 281,513 | 555,876 |
| Trade and non-trade receivables | 153,322,627 | 145,203,605 | 239,643,176 | 207,761,363 |

# NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2021

## 17. TRADE AND NON-TRADE RECEIVABLES (CONT'D)

The maturities of trade and non-trade receivables are as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Current:-** | RM | RM | RM | RM |
| Receivables within one year | 150,287,569 | 142,312,783 | 140,493,157 | 138,841,558 |
| **Non-current:-** | | | | |
| Receivables more than one year but less than five years | 3,035,058 | 2,890,822 | 99,150,019 | 68,919,805 |
| | 153,322,627 | 145,203,605 | 239,643,176 | 207,761,363 |

(a) The Group's normal trade credit terms range from 30 to 90 (2020 - 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 | |
|---|---|---|
| | 2021 | 2020 |
| **Party related to Tan Sri Dato' Kok Onn:** | RM | RM |
| - Boon Builder (brother) | 164,515 | - |
| - Kok Khim Boon (brother) | 58,511 | 1,149,557 |

(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 RM8,136,697 (2020 - RM18,508,306). These stakeholder sums are expected to be collected within the periods ranging from 1 to 10 (2020 - 1 to 22) months.

## 18. AMOUNTS OWING BY SUBSIDIARIES

| | The Company | |
|---|---|---|
| | 2021 | 2020 |
| **Amount owing by subsidiaries (Note 17):-** | RM | RM |
| **Current** | | |
| Trade balances | 10,893,671 | 9,162,255 |
| Non-trade balances | 129,317,973 | 129,123,427 |
| | 140,211,644 | 138,285,682 |
| **Non-current** | | |
| Non-trade balances | 99,150,019 | 68,919,805 |
| | 239,361,663 | 207,205,487 |

The trade balances are subject to the normal trade credit terms ranging from 30 to 90 (2020 - 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 RM143,654,693 (2020 - RM131,027,189) at interest rate of 5% (2020 - 5%) per annum. The amounts are repayable on demand or not more than 8 years and to be settled in cash.

## 19. AMOUNT OWING BY JOINT VENTURES

| | The Group | |
|---|---|---|
| | 2021 | 2020 |
| **Amount owing by joint ventures (Note 17):-** | **RM** | **RM** |
| **Current** | | |
| Non-trade balances | 11,668,518 | 11,140,267 |
| *Less: Impairment loss* | | |
| At 1 June/31 May | (2,036) | (2,036) |
| Amount owing by joint ventures, net | 11,666,482 | 11,138,231 |

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 | |
|---|---|---|
| | 2021 | 2020 |
| **Contract Assets** | **RM** | **RM** |
| Contract assets relating to: | | |
| - construction | 121,514,080 | 146,059,360 |
| - property development | 63,040,392 | 11,275,290 |
| | 184,554,472 | 157,334,650 |
| **Contract Liabilities** | | |
| Contract liabilities relating to: | | |
| - construction | (17,454,803) | (32,972,554) |
| - property development | (43,414,927) | (54,949,731) |
| | (60,869,730) | (87,922,285) |

(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 transferred to trade receivables when the Group issues billing in the manner as established in the contracts with customers. Included in the contract assets are retention sum receivables totalling RM58,253,858 (2020 - RM57,790,587).

(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.

(c) Contract liabilities

The contract liabilities primarily relate to advance considerations received from few customers for construction and property development. The amount will be recognised as revenue when the performance obligations are satisfied, of which the revenue will be recognised.

# NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2021

## 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 | |
|---|---|---|
| | 2021 | 2020 |
| | RM | RM |
| At 1 June | 69,412,365 | 142,514,168 |
| Revenue recognised in profit or loss during the financial year | 548,554,951 | 647,934,476 |
| Billings to customers during the financial year | (494,282,574) | (721,036,279) |
| At 31 May | 123,684,742 | 69,412,365 |
| Represented by:- | | |
| Contract assets | 184,554,472 | 157,334,650 |
| Contract liabilities | (60,869,730) | (87,922,285) |
| | 123,684,742 | 69,412,365 |

(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 RM472,719,939 (2020 - RM800,370,637). These remaining performance obligations are expected to be recognised as below:-

| | The Group | |
|---|---|---|
| | 2021 | 2020 |
| | RM | RM |
| Within 1 year | 391,227,159 | 540,202,721 |
| Between 1 to 5 years | 81,492,780 | 260,167,916 |
| | 472,719,939 | 800,370,637 |

## 21. SHORT TERM FUNDS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Money market fund, at fair value | 103,248,369 | 94,876,316 | 18,832,658 | 25,752,648 |

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 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Deposits with licensed banks | 74,805,639 | 101,609,741 | 12,169,150 | 11,978,395 |

(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 3.25% (2020 - 1.17% to 5.25%) per annum and 1.3% (2020 - 2.05% to 2.55%) per annum respectively. The deposits have maturity periods ranging from 1 to 12 (2020 - 1 to 12) months.

## 22. DEPOSITS WITH LICENSED BANKS (CONT'D)

(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 RM60,101,451 and RM12,169,150 (2020 - RM81,548,266 and RM11,978,395) 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 | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Cash and bank balances | 108,055,283 | 106,340,321 | 6,026,382 | 18,546,990 |

Included in the cash and bank balances of the Group is an amount of RM59,273,579 (2020 - RM58,968,973) 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 | | | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | Number of shares | | RM | RM |
| **Issued and fully paid-up:-** | | | | |
| At 1 June | 728,060,995 | 661,720,995 | 389,520,609 | 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 | 728,060,995 | 389,520,609 | 389,520,609 |

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.

## 25. RESERVES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| **Non-distributable** | | | | |
| Capital reserves (Note 25(a)) | 1,346,681 | 1,346,681 | - | - |
| Foreign exchange translation reserves (Note 25(b)) | (3,597,834) | (1,735,335) | - | - |
| Share option reserves (Note 25(c)) | 5,529,408 | 5,680,518 | 5,529,408 | 5,680,518 |
| | 3,278,255 | 5,291,864 | 5,529,408 | 5,680,518 |
| **Distributable** | | | | |
| Retained profits | 423,820,903 | 419,248,707 | 18,700,814 | 23,255,510 |
| | 427,099,158 | 424,540,571 | 24,230,222 | 28,936,028 |

## 25. RESERVES (CONT'D)

### (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.

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.

**25. RESERVES (CONT'D)**

**(c) Share option reserves (Cont'd)**

(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.

The option price and the details in the movement of the share options are as follows:-

| | | ← No. of options over ordinary shares → | | | | | |
|---|---|---|---|---|---|---|---|
| **Exercise price (RM)** | **Date of offer** | **At 1 June** | **Granted** | **Exercised** | **Lapsed** | **At 31 May** | **Exercisable as at 31 May** |
| **2021** | | | | | | | |
| 0.86 | 16.12.2016 | 57,502,700 | - | - | (5,267,500) | 52,235,200 | 52,235,200 |
| 1.03 | 5.1.2018 | 12,612,400 | - | - | (1,222,800) | 11,389,600 | 11,389,600 |
| | | 70,115,100 | - | - | (6,490,300) | 63,624,800 | 63,624,800 |
| **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 |

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.

## 25. RESERVES (CONT'D)

### (c) Share option reserves (Cont'd)

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 5 2021 | Tranche 4 2020 | Tranche 4 2021 | Tranche 3 2020 |
| Fair value of share options at the grant date (RM) | 0.03 | 0.10 | 0.01 | 0.06 |
| Weighted average ordinary share price (RM) | 0.45 | 0.68 | 0.39 | 0.68 |
| Exercise price of share option (RM) | 0.86 | 0.86 | 1.03 | 1.03 |
| Expected volatility (%) | 68.09 | 39.08 | 68.09 | 39.09 |
| Expected life (years) | 1 | 2 | 1 | 2 |
| Risk free rate (%) | 1.99 | 2.72 | 1.99 | 2.72 |
| Expected dividend yield (%) | 2.55 | 1.80 | 2.96 | 1.80 |

## 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 | |
|---|---|---|
| | 2021 RM | 2020 RM |
| At 1 June | 4,742,080 | 4,508,810 |
| Share of results attributable to non-controlling interests | 254,823 | 233,270 |
| At 31 May | 4,996,903 | 4,742,080 |

## 27. Bank Borrowings

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Current** | RM | RM | RM | RM |
| Secured:- | | | | |
| Bank overdrafts (Note 44(c)) | 3,935,279 | 8,150,897 | - | - |
| Bankers' acceptances | 751,000 | 738,000 | - | - |
| Revolving credits | 100,500,000 | 86,110,000 | - | - |
| Term loans (Note 28) | 43,220,923 | 19,626,382 | 937,500 | - |
| | 148,407,202 | 114,625,279 | 937,500 | - |
| **Non-current** | | | | |
| Secured:- | | | | |
| Term loans (Note 28) | 250,912,461 | 163,769,222 | 14,062,500 | - |
| Total bank borrowings | 399,319,663 | 278,394,501 | 15,000,000 | - |

The effective interest rates at the end of the reporting period for borrowings which bore interest at floating rates, were as follows:-

| | The Group | |
|---|---|---|
| | 2021 | 2020 |
| | % | % |
| Bank overdrafts | 5.64 | 6.82 |
| Bankers' acceptances | 3.21-3.46 | 4.60 |
| Revolving credits | 3.19-5.16 | 3.53-5.95 |

The bank borrowings except for term loans 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 | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Current liabilities (Note 27) | 43,220,923 | 19,626,382 | 937,500 | - |
| Non-current liabilities (Note 27) | 250,912,461 | 163,769,222 | 14,062,500 | - |
| Total term loans | 294,133,384 | 183,395,604 | 15,000,000 | - |

**28. TERM LOANS (CONT'D)**

Details of the term loans outstanding at the end of the reporting period are as follows:-

| | Effective Interest Rate | | | | | |
|---|---|---|---|---|---|---|
| | The Group | | The Group | | The Company | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Term Loan | % | % | RM | RM | RM | RM |
| I | 4.47% | 4.72% | 12,375,000 | 12,375,000 | - | - |
| II | 6.00% | 6.25% | 2,546,730 | 2,725,616 | - | - |
| III | 4.24% | 4.97% | 65,625,000 | 65,625,000 | - | - |
| IV | 4.24% | 4.49% | 9,390,000 | 7,530,579 | - | - |
| V | 6.75% | 7.00% | 3,506,607 | 13,379,915 | - | - |
| VI | 3.95% | - | 104,300,000 | - | - | - |
| VII | 4.15% | - | 15,095,493 | - | - | - |
| VIII | 3.37% | 3.62% | 568,650 | 611,412 | - | - |
| IX | 4.22% | 4.47% | 32,724,034 | 38,437,468 | - | - |
| X | 2.96% | 5.02% | 529,040 | 3,112,260 | - | - |
| XI | 12.25% | 12.50% | 32,472,830 | 39,598,354 | - | - |
| XII | 3.69% | - | 15,000,000 | - | 15,000,000 | - |
| | | | 294,133,384 | 183,395,604 | 15,000,000 | - |

(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.

(b) Term loan II has a tenure of 15 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 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.

**28. TERM LOANS (CONT'D)**

(c) Term loan III has a tenure of 10 years and is repayable by one principal payment of RM4,375,000 on January 2020 and by redemption of units sold or 48 monthly principal payments of RM1,368,000 each commencing on January 2022, whichever is earlier.

Term loan IV has a tenure of 7 years 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;

(ii) a specific debenture over the freehold land under property development costs; and

(iii) a corporate guarantee of the Company.

(d) Term loan V 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 45 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 all present and future assets of a subsidiary.

(e) Term loan VI has a tenure of 10 years and is repayable by redemption of units sold or 77 monthly instalments of RM1,330,000 each and final monthly instalment of RM1,890,000 commencing on December 2023, whichever is earlier.

The term loan is 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;

(ii) a corporate guarantee of the Company; and

(iii) a debenture over all present and future assets of a subsidiary.

(f) Term loan VII has a tenure of 5 years and is repayable by redemption of units sold or by way of 35 monthly instalments of RM830,000 each and a final instalment of RM950,000 commencing on January 2023, whichever is earlier.

The term loan is 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.

## 28. Term Loans (Cont'd)

(g) Term loan VIII 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 IX has a tenure of 9 years and is repayable by 13 monthly instalments of RM937,500 commencing on September 2019 and 71 monthly instalments of RM475,000 commencing on April 2021. 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 specific debenture over the property together with the buildings and structures erected or to be erected on the present and future fixtures and fittings on the property.

(i) Term loan X 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.

(j) Term loan XI has a tenure of 10 years 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.

(k) Term loan XII has a tenure of 3 years and is repayable by 7 quarterly instalments of RM937,500 each commencing on April 2022 and a final payment of RM8,437,500 which is extendable for another 2 years.

The term loan is secured by a charge over few pieces of land and a building which is included in the property, plant and equipment and investment properties of subsidiaries as disclosed in Notes 9 and 11 to the financial statements.

## 29. Lease Liabilities

| | The Group | |
|---|---|---|
| | 2021 | 2020 |
| | RM | RM |
| At 1 June | 10,657,620 | 19,925,161 |
| Additions during the financial year | 4,180,177 | 361,700 |
| Interest expense recognised in profit or loss (Note 34, 39) | 492,839 | 900,901 |
| Repayment of principal | (5,410,901) | (9,629,241) |
| Repayment of interest expense | (492,839) | (900,901) |
| At 31 May | 9,426,896 | 10,657,620 |
| Analysed by:- | | |
| Current liabilities | 4,863,301 | 4,947,372 |
| Non-current liabilities | 4,563,595 | 5,710,248 |
| | 9,426,896 | 10,657,620 |

## 30. 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 | |
|---|---|---|
| | 2021 | 2020 |
| | RM | RM |
| At 1 June | 2,832,914 | 2,573,653 |
| Benefits paid for unfunded plans | (475,796) | (21,357) |
| Expense recognised in profit or loss (Note 37) | 411,580 | 454,941 |
| Actuarial gain recognised in other comprehensive income | (659,035) | (203,724) |
| Foreign exchange difference | (81,348) | 29,401 |
| At 31 May | 2,028,315 | 2,832,914 |

The expenses recognised in profit or loss were analysed as follows:-

| | The Group | |
|---|---|---|
| | 2021 | 2020 |
| | RM | RM |
| Service cost | 166,499 | 236,925 |
| Interest cost | 219,002 | 218,016 |
| Termination of employment contract cost | 443,639 | - |
| Past service cost - vested | (134,158) | - |
| Effects of curtailments or settlements | (283,402) | - |
| Total cost incurred during the financial year | 411,580 | 454,941 |

# NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 May 2021

## 30. 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 | |
|---|---|---|
| | 2021 | 2020 |
| Normal retirement age | 55 years | 55 years |
| Future salary increment rate | 7% p.a. | 9% p.a. |
| Discount rate | 6% p.a. | 8% p.a. |

## 31. TRADE AND NON-TRADE PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Trade payables | 43,438,767 | 32,153,731 | - | - |
| Retention payable | 75,556,172 | 64,597,443 | - | - |
| Accrued subcontractor work and materials | 70,060,274 | 70,574,313 | - | - |
| Trade payables, net | 189,055,213 | 167,325,487 | - | - |
| Non-trade payables | 38,279,527 | 135,028,297 | 10,206 | 14,517 |
| Land proprietor's entitlement | 193,468,484 | 223,366,118 | - | - |
| Other accruals | 36,175,406 | 47,263,145 | 154,370 | 241,870 |
| Deposits | 948,568 | 803,862 | - | - |
| Amount owing to a director (Note 31(b)) | 651,784 | 651,783 | - | - |
| Sales and service tax payables | 8,670 | 9,950 | - | - |
| | 269,532,439 | 407,123,155 | 164,576 | 256,387 |
| *Less: Accretion of interest* | | | | |
| At 1 June | (176,491) | (223,977) | - | - |
| Addition: | | | | |
| - amount owing to a director (Note 36) | 52,757 | 47,486 | - | - |
| At 31 May | (123,734) | (176,491) | - | - |
| Non-trade payables, net | 269,408,705 | 406,946,664 | 164,576 | 256,387 |
| Trade and non-trade payables | 458,463,918 | 574,272,151 | 164,576 | 256,387 |

The maturities of trade and non-trade payables are as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Current:-** | RM | RM | RM | RM |
| Payables within one year | 271,820,641 | 399,049,106 | 164,576 | 256,387 |
| **Non-current:-** | | | | |
| Payables more than one year and less than five years | 186,643,277 | 175,223,045 | - | - |
| | 458,463,918 | 574,272,151 | 164,576 | 256,387 |

## 31. 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 | |
|---|---|---|
| | 2021 | 2020 |
| **Parties related to Tan Sri Dato' Kok Onn:** | RM | RM |
| - Kok Khim Boon (brother) | 558,828 | 7,149,254 |
| - Boon Builder (brother) | 137,509 | - |
| - M Pro Garage Auto Specialist (connected person) | - | 446 |

(b) Amount owing to Raja Zainal Abidin Bin Raja Hussin, a director of a subsidiary, is unsecured, interest free and repayable within the next two years.

(c) The normal trade credit terms granted to the Group range from 30 to 90 (2020 - 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

## 32. NET ASSETS PER ORDINARY SHARE

The net assets per ordinary share is calculated based on the net assets value of RM816,619,767 (2020 - RM814,061,180) attributable to ordinary shares divided by the number of ordinary shares in issue at the end of the reporting period of 728,060,995 (2020 - 728,060,995) shares.

## 33. REVENUE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Revenue from contracts with customers | | | | |
| Construction contracts | 365,416,700 | 491,797,922 | - | - |
| Property development | 183,138,251 | 156,136,554 | - | - |
| Water concession | 25,646,505 | 24,445,087 | - | - |
| | 574,201,456 | 672,379,563 | - | - |
| Revenue from other sources | | | | |
| Dividend income | - | - | 2,500,000 | 11,800,000 |
| Management fees | 288,000 | 253,161 | 8,038,000 | 8,763,000 |
| Rental income | 278,035 | 423,722 | - | - |
| | 566,035 | 676,883 | 10,538,000 | 20,563,000 |
| | 574,767,491 | 673,056,446 | 10,538,000 | 20,563,000 |

The information on the disaggregation of revenue is disclosed in Note 46 to financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2021

## 34. 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 | |
|---|---|---|
| | 2021 | 2020 |
| | RM | RM |
| Depreciation of property, plant and equipment (Note 9) | 3,432,835 | 7,295,650 |
| Depreciation of right-of-use assets (Note 10) | 3,260,837 | 3,968,531 |
| Employee benefits (Note 37) | 30,212,353 | 39,324,716 |
| Lease expenses: | | |
| - rental of land and premises | 878,515 | 1,278,283 |
| - rental of plant and machinery | 52,505 | 3,771 |
| Gain on disposal of: | | |
| - property, plant and equipment | (4,325) | (11,274) |
| - right-of-use assets | (116,875) | (29,267) |
| Interest expense on: | | |
| - bank borrowings | 1,446,001 | 2,672,256 |
| - lease liabilities | 379,158 | 760,638 |
| Inventories written down | - | 549,954 |

## 35. OTHER INCOME

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Administrative fees | 107,305 | 36,400 | - | - |
| Accretion of interest on: | | | | |
| - trade and non-trade receivables | 84,262 | 75,844 | - | - |
| Bad debts recovered | 373 | 1,235 | - | - |
| Dividend received from short term funds | 1,411,345 | 2,052,443 | 404,765 | 1,068,410 |
| Fair value gain on short term funds | 152,047 | 193,806 | 75,245 | 29,544 |
| Gain on disposal of: | | | | |
| - investment properties | 156,534 | 874,140 | - | - |
| - other investments | 57,670 | - | 57,670 | - |
| - property, plant and equipment | 2,586,061 | 2,876,646 | - | - |
| - right-of-use assets | 146,364 | 127,393 | - | - |
| Interest income | 2,274,910 | 4,393,472 | 6,198,841 | 6,367,956 |
| Miscellaneous income | 1,843,946 | 1,002,654 | 174,802 | 21,461 |
| Realised gain on foreign exchange | - | - | - | 8,856 |
| Rental income | 1,050,152 | 163,200 | - | - |
| Sales of scrap iron | 121,446 | 390,437 | - | - |
| Unrealised gain on foreign exchange | - | 519,324 | - | 404,719 |
| | 9,992,415 | 12,706,994 | 6,911,323 | 7,900,946 |

## 36. PROFIT BEFORE TAXATION

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Profit before taxation is arrived:- | | | | |
| **After charging/(crediting):-** | | | | |
| Accretion of interest on amount owing to a director | 52,757 | 47,486 | - | - |
| Auditors' remuneration: | | | | |
| - auditors of the Company: | | | | |
| - current financial year | 372,000 | 402,000 | 70,000 | 78,000 |
| - overprovision in the previous financial year | - | (10,000) | - | (10,000) |
| - other auditors | 130,400 | 123,322 | - | - |
| Bad debts written off | 6,525 | 26,000 | - | - |
| Concession assets written off | 4,573 | - | - | - |
| Deposit written off | 8,600 | 500 | - | - |
| Depreciation of: | | | | |
| - concession assets (Note 8) | 2,783,350 | 2,628,096 | - | - |
| - investment properties (Note 11) | 966,202 | 904,660 | - | - |
| - property, plant and equipment (Note 9) | 1,758,614 | 2,018,195 | 108,631 | 70,585 |
| - right-of-use assets (Note 10) | 1,848,659 | 766,407 | - | - |
| Employee benefits (Note 37) | 27,815,091 | 30,029,903 | 7,603,100 | 8,237,652 |
| Fair value loss on quoted investment | 2,838,200 | 6,400,000 | 2,838,200 | 6,400,000 |
| Impairment loss on: | | | | |
| - concession assets (Note 8) | 573,339 | - | - | - |
| - inventories (Note 12(b)) | 7,946,275 | - | - | - |
| - investment properties (Note 11) | - | 50,492 | - | - |
| - trade and non-trade receivables | - | 294,115 | - | - |
| Property, plant and equipment written off | 21,667 | 54,133 | 154 | 440 |
| Realised loss on foreign exchange | 314,006 | 131,466 | 2,689 | - |
| Rental of office | 860,942 | 559,400 | 236,149 | 242,708 |
| Unrealised loss on foreign exchange | 817,046 | - | 1,472,137 | - |

# NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2021

## 37. Employee Benefits

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Salaries and other benefits | 52,785,880 | 62,481,277 | 6,924,358 | 7,323,600 |
| Contributions to: | | | | |
| - defined contribution plan | 4,434,569 | 4,965,619 | 591,118 | 616,616 |
| - defined benefit obligations (Note 30) | 411,580 | 454,941 | - | - |
| - share option expenses | 395,415 | 1,452,782 | 395,416 | 1,452,782 |
| - share option expenses charged to subsidiaries | - | - | (307,792) | (1,155,346) |
| | 58,027,444 | 69,354,619 | 7,603,100 | 8,237,652 |

Employee benefits are allocated as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Cost of sales (Note 34) | 30,212,353 | 39,324,716 | - | - |
| Administrative expenses (Note 36) | 27,815,091 | 30,029,903 | 7,603,100 | 8,237,652 |
| | 58,027,444 | 69,354,619 | 7,603,100 | 8,237,652 |

Included in employee benefits of the Group and of the Company are executive directors' remuneration amounting to RM7,666,765 (2020 - RM8,947,157) and RM1,996,962 (2020 - RM2,228,821) respectively as further disclosed in Note 38 to the financial statements.

## 38. Directors' Remuneration And Key Management Personnel Compensation

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| **Directors of the Company** | | | | |
| *Executive:-* | | | | |
| Salaries and other emoluments | 1,891,773 | 2,023,973 | 1,891,773 | 2,023,973 |
| Defined contribution plan | 63,882 | 67,158 | 63,882 | 67,158 |
| Share option expenses | 41,307 | 137,690 | 41,307 | 137,690 |
| | 1,996,962 | 2,228,821 | 1,996,962 | 2,228,821 |
| *Non-executive:-* | | | | |
| Director fees | 240,000 | 240,000 | 240,000 | 240,000 |
| Other emoluments | 54,000 | 87,000 | 54,000 | 87,000 |
| Share option expenses | 5,589 | 18,630 | 5,589 | 18,630 |
| | 299,589 | 345,630 | 299,589 | 345,630 |
| | 2,296,551 | 2,574,451 | 2,296,551 | 2,574,451 |

## 38. Directors' Remuneration And Key Management Personnel Compensation (Cont'd)

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| **Directors of the subsidiaries** | | | | |
| *Executive:-* | | | | |
| Salaries and other emoluments | 4,965,952 | 5,440,393 | - | - |
| Director fees | 192,096 | 252,802 | - | - |
| Defined contribution plan | 345,250 | 441,517 | - | - |
| Share option expenses | 166,505 | 583,624 | - | - |
| | 5,669,803 | 6,718,336 | - | - |
| Total directors' remuneration | 7,966,354 | 9,292,787 | 2,296,551 | 2,574,451 |
| Benefits-in-kind | 184,531 | 218,919 | 73,850 | 66,700 |
| Total directors' remuneration including benefits-in-kind | 8,150,885 | 9,511,706 | 2,370,401 | 2,641,151 |
| **Key Management Personnel** | | | | |
| Salaries and other emoluments | 5,932,352 | 5,843,975 | 1,737,977 | 1,782,301 |
| Defined contribution plan | 669,415 | 678,513 | 189,321 | 193,181 |
| Share option expenses | 57,682 | 318,108 | 50,974 | 180,956 |
| | 6,659,449 | 6,840,596 | 1,978,272 | 2,156,438 |
| Benefits-in-kind | 53,175 | 103,605 | - | - |
| Total key management personnel compensation including benefits-in-kind | 6,712,624 | 6,944,201 | 1,978,272 | 2,156,438 |

## 39. Finance Costs

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Bank borrowing interest | 3,651,086 | 4,061,050 | 229,114 | 22,015 |
| Interest expenses on lease liabilities | 113,681 | 140,263 | - | - |
| | 3,764,767 | 4,201,313 | 229,114 | 22,015 |

## 40. INCOME TAX EXPENSE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Income tax: | | | | |
| - Malaysian income tax | 10,294,903 | 29,355,876 | 1,209,667 | 1,457,325 |
| - Foreign tax | 3,385,662 | 3,092,562 | - | - |
| | 13,680,565 | 32,448,438 | 1,209,667 | 1,457,325 |
| (Over)/Under provision in the previous financial year: | | | | |
| - Malaysian income tax | (226,784) | 161,736 | (35,949) | 5,574 |
| - Foreign tax | 497,788 | (45,611) | - | - |
| | 13,951,569 | 32,564,563 | 1,173,718 | 1,462,899 |
| Deferred taxation (Note 15): | | | | |
| - for the financial year | (3,225,574) | (9,102,871) | 8,350 | 9,062 |
| - (over)/under provision in the previous financial year | (1,811,834) | 216,341 | (3,051) | 40,380 |
| | (5,037,408) | (8,886,530) | 5,299 | 49,442 |
| | 8,914,161 | 23,678,033 | 1,179,017 | 1,512,341 |

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 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Profit before tax | 20,069,028 | 59,332,400 | 3,358,405 | 11,176,305 |
| Tax at Malaysian tax rate of 24% | 4,816,567 | 14,239,776 | 806,017 | 2,682,313 |
| Non-deductible expenses | 5,606,575 | 9,386,997 | 1,227,233 | 1,789,529 |
| Non-taxable income | (938,677) | (1,738,836) | (815,233) | (3,005,455) |
| Deferred tax assets not recognised | 1,200,318 | 1,580,689 | - | - |
| Share of results of joint ventures | (72,256) | 274,330 | - | - |
| Differential in tax rate of foreign subsidiaries | (157,536) | (397,389) | - | - |
| | 10,454,991 | 23,345,567 | 1,218,017 | 1,466,387 |
| Under/(Over) provision of current tax in the previous financial year | 271,004 | 116,125 | (35,949) | 5,574 |
| (Over)/Under provision of deferred taxation in the previous financial year | (1,811,834) | 216,341 | (3,051) | 40,380 |
| Income tax expense for the financial year | 8,914,161 | 23,678,033 | 1,179,017 | 1,512,341 |

## 40. INCOME TAX EXPENSE (CONT'D)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2020 - 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.

## 41. EARNINGS PER SHARE

| | The Group | |
|---|---|---|
| | 2021 | 2020 |
| Profit after taxation attributable to owners of the Company (RM) | 10,792,232 | 35,463,337 |
| Weighted average number of ordinary shares in issue | 728,060,995 | 725,868,929 |
| Basic earnings per ordinary share (sen) | 1.48 | 4.89 |

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 | |
|---|---|---|
| | 2021 | 2020 |
| Profit after taxation attributable to owners of the Company (RM) | 10,792,232 | 35,463,337 |
| Weighted average number of ordinary shares for basic earnings per share | -<br>728,060,995 | -<br>725,868,929 |
| Effect of dilution: | | |
| - exercise of Warrants 2016/2021* | - | - |
| - exercise of ESOS* | - | - |
| Weighted average number of ordinary shares for diluted earnings per share computation | 728,060,995 | 725,868,929 |
| Diluted earnings per share (sen) | 1.48 | 4.89 |

* 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.

# NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2021

## 42. ACQUISITION OF SUBSIDIARIES

In the previous financial year, 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 |

## 43. DIVIDENDS

| | The Company | |
|---|---|---|
| | 2021 RM | 2020 RM |
| First and final dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 May 2020 | 7,280,610 | - |
| First and final dividend of 1.2 sen per ordinary share in respect of the financial year ended 31 May 2019 | - | 8,736,732 |

The directors propose a first and final dividend of 0.03 sen per share in respect of the financial year ended 31 May 2021 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.

## 44. 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 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| **Property, plant and equipment** | | | | |
| Cost of property, plant and equipment purchased | 2,354,030 | 2,955,382 | 480,262 | 125,176 |
| **Right-of-use assets** | | | | |
| Cost of right-of-use assets acquired | 605,325 | 416,006 | - | - |
| Cash inflow arising from lease arrangement entered during the financial year for plant and equipment acquired in the previous financial year | 3,636,177 | - | - | - |
| Less: Addition of new lease liabilities | (4,180,177) | (361,700) | - | - |
| | 61,325 | 54,306 | - | - |

**44. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliation of liabilities arising from financing activities are as follows:-

| | Revolving Credits RM | Bankers' Acceptance RM | Lease Liabilities RM | Term Loans RM | Total RM |
|---|---|---|---|---|---|
| **The Group** | | | | | |
| **2021** | | | | | |
| At 1 June | 86,110,000 | 738,000 | 10,657,620 | 183,395,604 | 280,901,224 |
| Changes in Financing Cash Flows | | | | | |
| Proceeds from drawdown | 42,490,000 | 2,360,000 | - | 141,383,819 | 186,233,819 |
| Acquisition of new lease | - | - | 4,180,177 | - | 4,180,177 |
| Repayment of bank borrowings | (28,100,000) | (2,347,000) | - | (30,289,462) | (60,736,462) |
| Repayment of lease liabilities | - | - | (5,410,901) | - | (5,410,901) |
| Foreign exchange difference | - | - | - | (1,218,143) | (1,218,143) |
| Repayment of interest | (2,307,461) | - | (492,839) | (1,441,547) | (4,241,847) |
| Non-cash Changes | | | | | |
| Finance charges recognised in profit or loss | 2,307,461 | - | 492,839 | 2,303,113 | 5,103,413 |
| At 31 May | 100,500,000 | 751,000 | 9,426,896 | 294,133,384 | 404,811,280 |

44. **CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliation of liabilities arising from financing activities are as follows:- (Cont'd)

| | Revolving Credits RM | Bankers' Acceptance RM | Lease Liabilities RM | Term Loans RM | Total RM |
|---|---|---|---|---|---|
| **The Group** | | | | | |
| **2020** | | | | | |
| At 1 June 2019 | 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 |

# NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2021

## 44. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliation of liabilities arising from financing activities are as follows (Cont'd):-

| The Company | Revolving Credits RM | Term Loans RM | Total RM |
|---|---|---|---|
| **2021** | | | |
| At 1 June | - | - | - |
| Changes in Financing Cash Flows | | | |
| Proceeds from drawdown | - | 15,000,000 | 15,000,000 |
| Repayment of bank borrowings | - | - | - |
| Repayment of interest | - | (229,114) | (229,114) |
| Non-cash Changes | | | |
| Finance charges recognised in profit or loss | - | 229,114 | 229,114 |
| At 31 May | - | 15,000,000 | 15,000,000 |
| **2020** | | | |
| At 1 June | 5,500,000 | - | 5,500,000 |
| Changes in Financing Cash Flows | | | |
| Repayment of bank borrowings | (5,500,000) | - | (5,500,000) |
| Repayment of interest | (22,015) | - | (22,015) |
| Non-cash Changes | | | |
| Finance charges recognised in profit or loss | 22,015 | - | 22,015 |
| At 31 May | - | - | - |

(c) The cash and cash equivalents comprise the following:-

| | The Group 2021 RM | The Group 2020 RM | The Company 2021 RM | The Company 2020 RM |
|---|---|---|---|---|
| Short term funds | 103,248,369 | 94,876,316 | 18,832,658 | 25,752,648 |
| Deposits with licensed banks | 74,805,639 | 101,609,741 | 12,169,150 | 11,978,395 |
| Cash and bank balances | 108,055,283 | 106,340,321 | 6,026,382 | 18,546,990 |
| Bank overdrafts (Note 27) | (3,935,279) | (8,150,897) | - | - |
| | 282,174,012 | 294,675,481 | 37,028,190 | 56,278,033 |
| Less: Fixed deposits pledged as security values (Note 22) | (60,101,451) | (81,548,266) | (12,169,150) | (11,978,395) |
| Cash and cash equivalents | 222,072,561 | 213,127,215 | 24,859,040 | 44,299,638 |

## 45. 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 | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| **Subsidiaries** | | | | |
| Advances to subsidiaries | - | - | (33,389,280) | (13,725,468) |
| Gross dividend income | - | - | 2,500,000 | 11,800,000 |
| Interest income received/ receivable | - | - | 5,998,990 | 6,009,743 |
| Management fee received/ receivable | - | - | 8,038,000 | 8,763,000 |
| Payment on behalf | - | - | (6,997) | (45,862) |
| Rental expense - land and building | - | - | (236,149) | (242,708) |
| **Related parties** | | | | |
| Subcontractor work payable to | | | | |
| - Kok Khim Boon (i) | (4,143,780) | (22,228,078) | - | - |
| - Boon Builder (i) | (1,592,369) | - | - | - |
| Repair motor vehicles from | | | | |
| - M Pro Garage Auto Specialist (ii) | (1,258) | (8,507) | - | - |
| Training fees paid or payable to a company in which a director of the Company is a member | - | (6,000) | - | (6,000) |

# NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2021

## 45. Related Party Disclosures (Cont'd)

**(b) Related party transactions (Cont'd)**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| **Joint ventures** | | | | |
| Management fee received/ receivable | 288,000 | 253,161 | - | - |
| Subcontractor work received/ receivable | 8,219,484 | 6,178,567 | - | - |

The above parties deemed related to the Group as follows:-

(i) Tan Sri Dato' Kok Onn's brother.

(ii) a company wholly-owned by persons connected to Tan Sri Dato' Kok Onn.

## 46. 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.

# NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2021

## 46. OPERATING SEGMENTS (CONT'D)

| The Group | Construction division RM | Property division RM | Utility division RM | Investment holding and others RM | Group RM |
|---|---|---|---|---|---|
| **2021** | | | | | |
| Total revenue | 365,982,735 | 183,790,855 | 25,646,505 | 10,538,000 | 585,958,095 |
| Less: Inter-segment revenue | - | (652,604) | - | (10,538,000) | (11,190,604) |
| Revenue from external customers | 365,982,735 | 183,138,251 | 25,646,505 | - | 574,767,491 |
| Represented by revenue recognised: | | | | | |
| - over time | 365,416,700 | 148,902,387 | - | - | 514,319,087 |
| - at a point of time | 566,035 | 34,235,864 | 25,646,505 | - | 60,448,404 |
| | 365,982,735 | 183,138,251 | 25,646,505 | - | 574,767,491 |
| **Results** | | | | | |
| Segment results | 1,777,363 | 26,961,884 | 7,299,270 | (12,505,787) | 23,532,730 |
| Finance costs | (1,969,503) | (1,510,222) | (55,929) | (229,113) | (3,764,767) |
| Share of results in joint ventures | 301,065 | - | - | - | 301,065 |
| Profit/(Loss) before taxation | 108,925 | 25,451,662 | 7,243,341 | (12,734,900) | 20,069,028 |
| Income tax expense | | | | | (8,914,161) |
| **Profit after taxation** | | | | | **11,154,867** |
| **Non-controlling interests** | | | | | **(362,635)** |
| **Net profit attributable to owners** | | | | | **10,792,232** |

**46. OPERATING SEGMENTS (CONT'D)**

| The Group | Construction division RM | Property division RM | Utility division RM | Investment holding and others RM | Group RM |
|---|---|---|---|---|---|
| **2021** | | | | | |
| Segment assets | 464,091,372 | 1,055,171,747 | 189,590,873 | 47,170,539 | 1,756,024,531 |
| Segment liabilities | 254,319,710 | 619,795,679 | 44,861,487 | 15,430,985 | 934,407,861 |
| **Other information:-** | | | | | |
| - Depreciation and amortisation | 10,394,088 | 578,422 | 2,853,056 | 224,931 | 14,050,497 |
| - Capital expenditure | 2,147,593 | 316,723 | 11,260,035 | 480,262 | 14,204,613 |

46. **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** |

## 46. 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 | 1,045,329,265 | 178,110,779 | 69,823,770 | 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 |

## 46. 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 | Segment assets | Capital expenditure |
|---|---|---|---|
| **2021** | **RM** | **RM** | **RM** |
| Malaysia | 548,313,740 | 1,554,550,805 | 1,263,465 |
| Indonesia | 25,646,505 | 185,754,700 | 11,193,435 |
| Singapore | 807,246 | 15,719,026 | 1,747,713 |
| | 574,767,491 | 1,756,024,531 | 14,204,613 |
| **2020** | | | |
| Malaysia | 648,449,592 | 1,593,002,461 | 1,706,383 |
| Indonesia | 24,445,087 | 174,293,353 | 17,497,294 |
| Singapore | 161,767 | 11,850,568 | 1,769,375 |
| | 673,056,446 | 1,779,146,382 | 20,973,052 |

The information on the disaggregation of revenue based on geographical region is summarised below:-

| | At a Point of Time | | Over Time | | The Group | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| | **RM** | **RM** | **RM** | **RM** | **RM** | **RM** |
| Malaysia | 34,801,899 | 26,567,180 | 513,511,841 | 621,882,412 | 548,313,740 | 648,449,592 |
| Indonesia | 25,646,505 | 24,445,087 | - | - | 25,646,505 | 24,445,087 |
| Singapore | - | 161,767 | 807,246 | - | 807,246 | 161,767 |
| | 60,448,404 | 51,174,034 | 514,319,087 | 621,882,412 | 574,767,491 | 673,056,446 |

## 46. 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 |
|---|---|---|---|
| | 2021 RM | 2020 RM | |
| Customer A | 130,205,754 | 235,184,676 | Construction |
| Customer B | - | 89,241,681 | Construction |
| Customer C | 163,311,967 | 98,807,792 | Construction |
| | 293,517,721 | 423,234,149 | |

## 47. 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 | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Indonesian Rupiah | 0.000289 | 0.000297 |
| Singapore Dollar | 3.1241 | 3.0772 |
| United States Dollar | 4.1290 | 4.3757 |

## 48. 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.

### 48.1 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).

## 48. FINANCIAL INSTRUMENTS (CONT'D)

### 48.1 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 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Net financial (liabilities)/ assets denominated in IDR | (9,591,893) | (19,791,211) | 620,521 | 1,630,454 |
| **Effects on Profit After Taxation/ Other Comprehensive Income** | | | | |
| IDR/RM | | | | |
| Strengthened by 5% | (364,492) | (752,066) | 23,580 | 61,957 |
| Weakened by 5% | 364,492 | 752,066 | (23,580) | (61,957) |

| | The Group | |
|---|---|---|
| | 2021 | 2020 |
| | RM | RM |
| Net financial liabilities denominated in USD | (529,039) | (3,112,260) |
| **Effects on Profit After Taxation/ Other Comprehensive Income** | | |
| USD/RM | | |
| Strengthened by 5% | (20,103) | (118,266) |
| Weakened by 5% | 20,103 | 118,266 |
| Net financial assets denominated in SGD | 1,680,581 | 698,555 |
| **Effects on Profit After Taxation/ Other Comprehensive Income** | | |
| SGD/RM | | |
| Strengthened by 5% | 63,862 | 26,545 |
| Weakened by 5% | (63,862) | (26,545) |

## 48. FINANCIAL INSTRUMENTS (CONT'D)

### 48.1 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 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| ***Effects on Profit After Taxation/ Other Comprehensive Income*** | | | | |
| Increase of 10 basis points | (301,392) | (211,019) | (11,400) | - |
| Decrease of 10 basis points | 301,392 | 211,019 | 11,400 | - |

*(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.

## 48. FINANCIAL INSTRUMENTS (CONT'D)

### 48.1 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 | |
|---|---|---|
| | **2021** | **2020** |
| | **RM** | **RM** |
| ***Effects on Profit After Taxation/ Other Comprehensive Income*** | | |
| Increase of 5% | 129,816 | 258,400 |
| Decrease of 5% | (129,816) | (258,400) |

#### (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 56% (2020 - 53%) of its trade receivables (including contract assets) 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 contract assets) at the end of the reporting period is as follows:-

| | The Group | |
|---|---|---|
| | **2021** | **2020** |
| | **RM** | **RM** |
| Malaysia | 267,865,210 | 229,091,748 |
| Indonesia | 3,802,230 | 2,793,230 |
| Singapore | 912,299 | - |
| | 272,579,739 | 231,884,978 |

## 48. FINANCIAL INSTRUMENTS (CONT'D)

### 48.1 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.

## 48. FINANCIAL INSTRUMENTS (CONT'D)

### 48.1 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.

For water concession, the trade receivables are generally collected within the credit term and therefore, there is minimal exposure to credit risk.

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 |
|---|---|---|---|---|
| **2021** | | | | |
| Current (not past due) | 66,402,485 | - | - | 66,402,485 |
| Less than 3 months past due | 18,078,173 | - | - | 18,078,173 |
| More than 6 months past due | 3,009,463 | - | - | 3,009,463 |
| More than 1 year past due | 535,146 | - | - | 535,146 |
| Credit impaired | - | - | - | - |
| Trade receivables | 88,025,267 | - | - | 88,025,267 |
| Contract assets | 184,554,472 | - | - | 184,554,472 |
| | 272,579,739 | - | - | 272,579,739 |

## 48. FINANCIAL INSTRUMENTS (CONT'D)

### 48.1 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 |
|---|---|---|---|---|
| **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 |
| Credit impaired | - | - | - | - |
| Trade receivables | 74,550,328 | - | - | 74,550,328 |
| Contract assets | 157,334,650 | - | - | 157,334,650 |
| | 231,884,978 | - | - | 231,884,978 |

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.

**48. FINANCIAL INSTRUMENTS (CONT'D)**

**48.1 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 |
|---|---|---|---|
| **2021** | | | |
| Low credit risk | 239,361,663 | - | 239,361,663 |
| **2020** | | | |
| Low credit risk | 207,205,487 | - | 207,205,487 |

No expected credit loss is recognised on amount owing by subsidiaries as it is negligible.

## 48. FINANCIAL INSTRUMENTS (CONT'D)

### 48.1 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.

48. FINANCIAL INSTRUMENTS (CONT'D)

48.1 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 | 2 - 5 years RM | Over 5 years RM |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| Non-derivative Financial Liabilities | | | | | | |
| Trade and non-trade payables | - | 457,506,680 | 540,262,050 | 274,323,245 | 140,987,039 | 124,951,766 |
| Bank overdrafts | 5.64 | 3,935,279 | 3,935,279 | 3,935,279 | - | - |
| Bankers' acceptance | 3.21-3.46 | 751,000 | 751,000 | 751,000 | - | - |
| Revolving credits | 3.19-5.16 | 100,500,000 | 100,944,837 | 100,944,837 | - | - |
| Lease liabilities | 3.59-6.71 | 9,426,896 | 9,740,532 | 5,119,263 | 4,589,962 | 31,307 |
| Term loans | 2.96-12.25 | 294,133,384 | 329,657,772 | 41,603,923 | 205,187,574 | 82,866,275 |
| | | 866,253,239 | 985,291,470 | 426,677,547 | 350,764,575 | 207,849,348 |

# NOTES TO THE FINANCIAL STATEMENTS

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## 48. FINANCIAL INSTRUMENTS (CONT'D)

### 48.1 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 | Effective interest rate % | Carrying amount RM | Contractual undiscounted cash flows RM | Within 1 year RM | 2 - 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 | 222,038,564 | 30,839,949 | 166,053,467 | 25,145,148 |
| | | 862,510,460 | 1,010,354,808 | 567,982,763 | 347,416,780 | 94,955,265 |

**48. FINANCIAL INSTRUMENTS (CONT'D)**

**48.1 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 | 2 - 5 years RM | Over 5 years RM |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| Non-derivative Financial Liabilities | | | | | | |
| Trade and non-trade payables | - | 164,576 | 164,576 | 164,576 | - | - |
| Term loans | 3.69% | 15,000,000 | 16,187,718 | 1,485,234 | 14,702,484 | - |
| Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries | - | - | 634,903,497 | 634,903,497 | - | - |
| **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 | - | - |

## 48. FINANCIAL INSTRUMENTS (CONT'D)

### 48.2 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 | |
|---|---|---|---|---|
| | 2021<br>RM | 2020<br>RM | 2021<br>RM | 2020<br>RM |
| Total interest bearing financial liabilities | 408,746,559 | 289,052,121 | 15,000,000 | - |
| Less: | | | | |
| Short term funds | (103,248,369) | (94,876,316) | (18,832,658) | (25,752,648) |
| Deposits with licensed banks | (74,805,639) | (101,609,741) | (12,169,150) | (11,978,395) |
| Cash and bank balances | (108,055,283) | (106,340,321) | (6,026,382) | (18,546,990) |
| Net debt/(cash) | 122,637,268 | (13,774,257) | (22,028,190) | (56,278,033) |
| Total equity | 821,616,670 | 818,803,260 | 413,750,831 | 418,456,637 |
| Debt-to-equity | 0.15 | Not applicable | Not applicable | Not applicable |

## 48. Financial Instruments (Cont'd)

### 48.3 Classification of Financial Instruments

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Financial Assets** | RM | RM | RM | RM |
| Mandatorily at Fair Value through Profit or Loss | | | | |
| Quoted investment (Note 13) | 3,416,200 | 6,800,000 | 3,416,200 | 6,800,000 |
| Short term funds | 103,248,369 | 94,876,316 | 18,832,658 | 25,752,648 |
| | 106,664,569 | 101,676,316 | 22,248,858 | 32,552,648 |
| Amortised Cost | | | | |
| Trade and non-trade receivables | 139,760,896 | 127,175,359 | 239,395,714 | 207,219,838 |
| Deposits with licensed banks | 74,805,639 | 101,609,741 | 12,169,150 | 11,978,395 |
| Cash and bank balances | 108,055,283 | 106,340,321 | 6,026,382 | 18,546,990 |
| | 322,621,818 | 335,125,421 | 257,591,246 | 237,745,223 |
| **Financial Liabilities** | | | | |
| Amortised Cost | | | | |
| Trade and non-trade payables | (457,506,680) | (573,458,339) | (164,576) | (256,387) |
| Bank borrowings | (399,319,663) | (278,394,501) | (15,000,000) | - |
| Lease liabilities | (9,426,896) | (10,657,620) | - | - |
| | (866,253,239) | (862,510,460) | (15,164,576) | (256,387) |

### 48.4 Gain or Losses Arising from Financial Instruments

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Financial Assets** | RM | RM | RM | RM |
| Fair Value through Profit or Loss | | | | |
| Net losses recognised in profit or loss | (1,217,138) | (4,153,751) | (2,300,520) | (5,302,046) |
| Amortised Cost | | | | |
| Net gains recognised in profit or loss | 2,353,020 | 4,150,436 | 6,198,841 | 6,367,956 |
| **Financial Liabilities** | | | | |
| Amortised Cost | | | | |
| Net losses recognised in profit or loss | (5,642,683) | (7,681,693) | (229,114) | (22,015) |

## 48. FINANCIAL INSTRUMENTS (CONT'D)

### 48.5 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** | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** | | |
| **2021** | **RM** | **RM** | **RM** | **RM** | **RM** | **RM** | **RM** | **RM** |
| Financial Assets | | | | | | | | |
| Other investments: | | | | | | | | |
| - quoted | 3,416,200 | - | - | - | - | - | 3,416,200 | 3,416,200 |
| Short term funds | 103,248,369 | - | - | - | - | - | 103,248,369 | 103,248,369 |
| Financial Liabilities | | | | | | | | |
| Land proprietor's entitlement | - | - | - | - | - | 193,468,484 | 193,468,484 | 193,468,484 |
| Term loans | - | - | - | - | 294,133,384 | - | 294,133,384 | 294,133,384 |

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For The Financial Year Ended 31 May 2021

**48. FINANCIAL INSTRUMENTS (CONT'D)**

**48.5 Fair Value Information (Cont'd)**

| | Fair Value of Financial Instruments Carried at Fair Value | | | Fair Value of Financial Instruments not Carried at Fair Value | | | | |
|---|---|---|---|---|---|---|---|---|
| **The Group** | **Level 1 RM** | **Level 2 RM** | **Level 3 RM** | **Level 1 RM** | **Level 2 RM** | **Level 3 RM** | **Total Fair Value RM** | **Carrying Amount RM** |
| **2020** | | | | | | | | |
| 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 |

## 48. FINANCIAL INSTRUMENTS (CONT'D)

### 48.5 Fair Value Information (Cont'd)

| The Company | Fair Value of Financial Instruments Carried at Fair Value Level 1 RM | Level 2 RM | Level 3 RM | Fair Value of Financial Instruments not Carried at Fair Value Level 1 RM | Level 2 RM | Level 3 RM | Total Fair Value RM | Carrying Amount RM |
|---|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | | |
| Financial assets | | | | | | | | |
| Other investments: | | | | | | | | |
| - quoted | 3,416,200 | - | - | - | - | - | 3,416,200 | 3,416,200 |
| Short term funds | 18,832,658 | - | - | - | - | - | 18,832,658 | 18,832,658 |
| Amount owing by subsidiaries | - | - | - | - | - | 128,971,768 | 128,971,768 | 128,971,768 |
| **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 |

**48. FINANCIAL INSTRUMENTS (CONT'D)**

**48.5 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:-

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.

**49. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS**

**(a) Conditional Settlement Agreement**

On 29 March 2019, the Company announced that Achwell Property Sdn Bhd ("APSB"), a wholly-owned subsidiary of the Company 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.

CCPSB failed to fulfill the remaining conditions precedent 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 ("JVA") on their rights and obligations.

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

## 49. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS (CONT'D)

### (a) Conditional Settlement Agreement (Cont'd)

The High Court had on 4 September 2020 given an order allowing APSB to intervene in the Judicial Management proceedings.

On 28 July 2021, APSB entered into a Conditional Settlement Agreement ("CSA") with the Judicial Manager of CCPSB, which sets out the terms and conditions governing the payment of the final settlement sum and other matters relating to the settlement. Under the terms of the CSA, APSB's Entitlement Sum has been revised to RM190 million, of which a total of RM150 million has been paid to APSB to-date. In this regard, the Parties have agreed for CCPSB to settle and pay the final settlement sum of RM40 million as the full and final settlement of APSB's Entitlement Sum and all other rights, interests and/or benefits APSB may have under the JVA. The CSA is subject to the fulfillment of the conditions precedent within six (6) months from the date of the CSA, which includes the approval of the Company's shareholders at a general meeting to be convened.

### (b) Impact of COVID-19

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as global pandemic. Following the declaration, the Government of Malaysia has on 18 March 2020 imposed the Movement Control Order ("MCO") and subsequently entered into various phases of the MCO to curb the spread of the COVID-19 pandemic in Malaysia.

This had led to the delays in construction, property development activities and commissioning of plant. The financial performance of the Group was consequently affected. The Group has taken into consideration the COVID-19 impact and the current economic environment on the basis of preparation of this financial statements.

Given the fluidity of the situation, the Group will continue to monitor the impact of the pandemic and take appropriate and timely measures to minimise its impact on the Group's operations.

### (c) Disposal of Melawati Land

On 23 August 2021, Gadang Land Sdn Bhd, a wholly-owned subsidiary of the Company has entered into a Sale and Purchase Agreement with SkyRia Development Sdn Bhd (formerly known as Nusa Jutamas Sdn Bhd) to dispose a parcel of residential land located at Jalan Kolam Air, Taman Melawati, Kuala Lumpur (the "Land") for a total cash consideration of RM43 million. At the financial year ended 31 May 2021, the Land is classified as inventories in the financial statements.

# LIST OF PROPERTIES

As At 31 May 2021

| Title/Location | Description/ Existing use | Tenure | Acquisition Date (Revaluation Date) | Approximate Land/(Built-up) Area in sq. ft | Carrying Value (RM) |
|---|---|---|---|---|---|
| Wisma Gadang<br>No. 52, Jalan Tago 2<br>Off Jalan Persiaran Utama<br>Sri Damansara<br>52200 Kuala Lumpur | 7 storey office block for own use | Freehold | (June 1997) | 42,619<br>(45,043) | 7,663,845 |
| Tampoi Land<br>Geran 544822, Lot 48975<br>Bandar Johor Bahru<br>District of Johor Bahru | Mixed integrated commercial development | Freehold | 31/07/2003 | 439,727 | 21,318,469 |
| Salak South Land<br>HS(D) 51683 Lot 480759;<br>HS(D) 51684 Lot 480760;<br>HS(D) 51685 Lot 480761;<br>HS(D) 51686 Lot 480762;<br>HS(D) 51687 Lot 480763;<br>HS(D) 51688 Lot 480764;<br>HS(D) 51689 Lot 480765;<br>HS(D) 51690 Lot 480766;<br>HS(D) 51691 Lot 480767;<br>HS(D) 51692 Lot 480768;<br>HS(D) 51693 Lot 480769<br>Mukim Kuala Lumpur | Mixed development | Leasehold ending 17/06/2112 | 27/01/2010 | 531,432 | 11,570,139 |
| Plot No. 209 held under<br>HS(D) 252119 PT No. 1014;<br>Plot No. 211 held under<br>HS(D) 252121 PT No. 1016;<br>Plot No. 201 held under<br>HS(D) 252138 PT No. 1033;<br>Plot No. 202 held under<br>HS(D) 252126 PT No. 1021;<br>Plot No. 203 held under<br>HS(D) 252127 PT No. 1022<br>Pekan Baru Sungai Besi<br>District of Petaling<br>Selangor | Vacant bungalow lot for sale/ development | Leasehold ending 01/12/2107 | 31/01/2010 | 52,535 | 7,209,591 |
| Pokok Sena<br>Lot 165, Pokok Sena<br>Kedah | Mixed development | Freehold | 11/06/2010 | 8,786,923 | 13,083,917 |

# LIST OF PROPERTIES

As At 31 May 2021

| Title/Location | Description/ Existing use | Tenure | Acquisition Date (Revaluation 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 | 4,301,470 |
| 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 | 98,676,114 |
| 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 | 55,370,672 |
| 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 | 156,496,272 |

# ANALYSIS OF SHAREHOLDINGS & WARRANT HOLDINGS

## I. ANALYSIS OF SHAREHOLDINGS as at 30 August 2021

**Share Capital**

Number of Issued Shares : 728,060,995
Class of Shares : Ordinary shares
No. of shareholders : 16,090
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 | 1.76 | 11,535 | 0.00 |
| 100 - 1,000 | 1,203 | 7.48 | 770,181 | 0.11 |
| 1,001 - 10,000 | 7,982 | 49.61 | 45,890,225 | 6.30 |
| 10,001 - 100,000 | 5,907 | 36.71 | 194,115,900 | 26.66 |
| 100,001 - 36,403,048 | 713 | 4.43 | 309,283,201 | 42.48 |
| 36,403,049* and above | 2 | 0.01 | 177,989,953 | 24.45 |
| Total | 16,090 | 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*

# ANALYSIS OF SHAREHOLDINGS & WARRANT HOLDINGS

## TOP 30 SHAREHOLDERS AS PER RECORD OF DEPOSITORS

| | | No. of Issued Shares | % |
|---|---|---|---|
| 1. | RHB Nominees (Tempatan) Sdn Bhd<br>*Pledged securities account for Meloria Sdn Bhd* | 96,464,551 | 13.25 |
| 2. | JF Apex Nominees (Tempatan) Sdn Bhd<br>*Pledged securities account for Sumber Raswira Sdn Bhd (Margin)* | 81,525,402 | 11.20 |
| 3. | Citigroup Nominees (Asing) Sdn Bhd<br>*Exempt An for Citibank New York (Norges Bank 14)* | 15,824,100 | 2.17 |
| 4. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>*Pledged securities account for Kok Onn (7002585)* | 13,177,300 | 1.81 |
| 5. | Citigroup Nominees (Tempatan) Sdn Bhd<br>*Employees Provident Fund Board (PHEIM)* | 6,669,100 | 0.92 |
| 6. | Federlite Holdings Sdn Bhd | 5,477,050 | 0.75 |
| 7. | RHB Capital Nominees (Tempatan) Sdn Bhd<br>*Pledged securities account for Su Ming Keat* | 5,200,000 | 0.71 |
| 8. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Yeoh Ah Tu* | 5,171,625 | 0.71 |
| 9. | Public Nominees (Tempatan) Sdn Bhd<br>*Pledged securities account for Ko Mok Chuan (E-TMR/TMJ)* | 4,223,700 | 0.58 |
| 10. | CIMB Group Nominees (Tempatan) Sdn Bhd<br>*Hong Leong Asset Management Bhd for Hong Leong Assurance Berhad (LP Fund ED102)* | 4,170,000 | 0.57 |
| 11. | UOB Kay Hian Nominees (Tempatan) Sdn Bhd<br>*Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)* | 3,820,050 | 0.52 |
| 12. | Affin Hwang Nominees (Tempatan) Sdn Bhd<br>*Pledged securities account for Law Wan Ni (M09)* | 3,612,500 | 0.50 |
| 13. | Tee Ah Swee | 3,368,300 | 0.46 |
| 14. | RHB Capital Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Phua Sin Mo* | 3,280,000 | 0.45 |
| 15. | Law Wan Cheen | 3,241,500 | 0.45 |
| 16. | Public Nominees (Tempatan) Sdn Bhd<br>*Pledged securities account for Kelly Ko Kar Yee (E-TMR)* | 3,193,200 | 0.44 |
| 17. | Mercsec Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Siow Wong Yen @ Siow Kwang Hwa* | 2,900,000 | 0.40 |
| 18. | Citigroup Nominees (Asing) Sdn Bhd<br>*CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc* | 2,815,700 | 0.39 |
| 19. | Wu Chung Ta | 2,800,000 | 0.38 |
| 20. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Etiqa Family Takaful Berhad (Dana Ekuiti)* | 2,720,000 | 0.37 |
| 21. | Law Wan Ni | 2,655,250 | 0.36 |

# ANALYSIS OF SHAREHOLDINGS & WARRANT HOLDINGS

## TOP 30 SHAREHOLDERS AS PER RECORD OF DEPOSITORS (CONT'D)

| | | No. of Issued Shares | % |
|---|---|---|---|
| 22. | Citigroup Nominees (Asing) Sdn Bhd<br>*CBNY For Dimensional Emerging Markets Value Fund* | 2,586,100 | 0.36 |
| 23. | UOB Kay Hian Nominees (Asing) Sdn Bhd<br>*Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)* | 2,567,500 | 0.35 |
| 24. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Chong Yiew On (6000006)* | 2,343,900 | 0.32 |
| 25. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Etiqa Life Insurance Berhad (Prem Equity)* | 2,200,000 | 0.30 |
| 26. | Lee Chee Beng | 2,014,750 | 0.28 |
| 27. | Boey Tak Kong | 2,000,000 | 0.27 |
| 28. | Geoffrey Lim Fung Keong | 1,869,900 | 0.26 |
| 29. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Etiqa Family Takaful Berhad (Shareholders)* | 1,800,000 | 0.25 |
| 30. | HLB Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Chan Kwan Foong* | 1,750,400 | 0.24 |
| | **Total** | **291,441,878** | **40.02** |

## II. ANALYSIS OF WARRANT HOLDINGS as at 30 August 2021

**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 | : 4,158 |
| 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 | 375 | 9.02 | 14,741 | 0.01 |
| 100 - 1,000 | 1,177 | 28.31 | 743,508 | 0.58 |
| 1,001 - 10,000 | 1,429 | 34.37 | 6,747,708 | 5.22 |
| 10,001 - 100,000 | 915 | 22.01 | 34,517,066 | 26.70 |
| 100,001 - 6,462,700 | 262 | 6.30 | 87,231,016 | 67.49 |
| 6,462,701* and above | 0 | 0.00 | 0 | 0.00 |
| **Total** | **4,158** | **100.00** | **129,254,039** | **100.00** |

* *denotes 5% of total Warrants unexercised*

# ANALYSIS OF SHAREHOLDINGS & WARRANT HOLDINGS

## TOP 30 WARRANT HOLDERS AS PER RECORD OF DEPOSITORS

| | | No. of Warrants | % |
|---|---|---|---|
| 1. | Goh Wei Chiun | 3,161,700 | 2.45 |
| 2. | Goh Chin Choon | 1,807,500 | 1.40 |
| 3. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Ashok A/L Panchalingam* | 1,600,000 | 1.24 |
| 4. | Kok Yoon Hing | 1,597,000 | 1.24 |
| 5. | Goh Chin Ex | 1,514,800 | 1.17 |
| 6. | Goh Cheng Chai | 1,500,000 | 1.16 |
| 7. | Yogavel A/L Periyasamy | 1,500,000 | 1.16 |
| 8. | Shim Hon Wei | 1,400,000 | 1.08 |
| 9. | Saidatul Raihan Binti Ibrahim | 1,300,000 | 1.01 |
| 10. | Ting Ata @ Ting Teong Cheow | 1,200,000 | 0.93 |
| 11. | JF Apex Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Teh Bee Ong (STA 2)* | 1,120,500 | 0.87 |
| 12. | Ang Soo Boon | 1,099,700 | 0.85 |
| 13. | Samsuri Bin Daud | 984,100 | 0.76 |
| 14. | Luqman Hakim Bin Ahmad Sabri | 947,200 | 0.73 |
| 15. | Mohamad Naim Bin Che Man | 800,000 | 0.62 |
| 16. | Wan Nor Zaharah Binti Wan Osman | 774,700 | 0.60 |
| 17. | Abdul Haniff Bin Sulaiman | 700,000 | 0.54 |
| 18. | Wong Lup Mun @ Wong Cheng Hoh | 695,700 | 0.54 |
| 19. | Cheah Lee Chen | 669,400 | 0.52 |
| 20. | Hasnizan Binti Daud | 618,300 | 0.48 |
| 21. | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Rakuten Trade Sdn Bhd For Teoh Xin Zhen* | 600,000 | 0.46 |
| 22. | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Rakuten Trade Sdn Bhd For Chew Shean Meng* | 600,000 | 0.46 |
| 23. | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Rakuten Trade Sdn Bhd For Wan Mohamad Mirzan Bin Wan Hanapi* | 600,000 | 0.46 |
| 24. | Malar Vily A/P Velisamy | 600,000 | 0.46 |
| 25. | Rosli Bin Abas | 600,000 | 0.46 |
| 26. | Saufi Bin Ali | 600,000 | 0.46 |
| 27. | Siti Sa'adah Binti Sulaiman | 595,500 | 0.46 |
| 28. | Azman Bin Abdullah | 593,400 | 0.46 |

# ANALYSIS OF SHAREHOLDINGS & WARRANT HOLDINGS

## TOP 30 WARRANT HOLDERS AS PER RECORD OF DEPOSITORS (CONT'D)

| | | No. of Warrants | % |
|---|---|---|---|
| 29. | Cimsec Nominees (Tempatan) Sdn Bhd<br>*CIMB For Fardan Bin Abdul Majeed (PB)* | 590,000 | 0.46 |
| 30. | Ahmad Nizamuddin Bin Malek Reedzwan | 582,600 | 0.45 |
| | **Total** | **30,952,100** | **23.94** |

## III. DIRECTORS' SHAREHOLDINGS & WARRANT HOLDINGS as at 30 August 2021

### 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' Seri Dr. Mohamed Ismail Bin Merican | - | - | - | - |
| 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 | 196,800 | 0.03 | - | - |
| Sherman Lam Yuen Suen | 190,000 | 0.03 | - | - |

*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 |

Save as disclosed, none of the other Directors of the Company has any interests in the warrants and share options of the Company as at 30 August 2021.

# NOTICE OF 28TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Eighth (28th) Annual General Meeting (AGM) of Gadang Holdings Berhad (the Company) will be held as a fully virtual meeting conducted through live streaming and remote voting using the remote participation and voting facilities at the online meeting platform of TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia via its website at https://tiih.online on Wednesday, 3 November 2021 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 2021 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 0.3 sen per share in respect of the financial year ended 31 May 2021. *(Ordinary Resolution 1)*

3. To approve the payment of Directors' fees of up to RM350,000 for the financial year ending 31 May 2022, 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 4 November 2021 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 by rotation pursuant to Clause 108 of the Company's Constitution and being eligible, have offered themselves for re-election:-
(a) Tan Sri Dato' Kok Onn *(Ordinary Resolution 4)*
(b) Mr Huang Shi Chin *(Ordinary Resolution 5)*
***Please refer to Explanatory Note C***

6. To re-elect Mr Sherman Lam Yuen Suen who retires pursuant to Clause 115 of the Company's Constitution and being eligible, has offered himself for re-election. *(Ordinary Resolution 6)*
***Please refer to Explanatory Note C***

7. To re-appoint Crowe Malaysia PLT as Auditors of the Company for the financial year ending 31 May 2022 and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 7)*
***Please refer to Explanatory Note D***

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions:-

8. **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

# NOTICE OF 28TH ANNUAL GENERAL MEETING

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 8)*

***Please refer to Explanatory Note E***

9. **PROPOSED NEW AND 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 30 September 2021 ("Circular") with the related parties 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 parties 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 authorised 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 authorised by this resolution." *(Ordinary Resolution 9)*

***Please refer to Explanatory Note F***

10. **PROPOSED VARIATION TO THE TERMS OF THE JOINT VENTURE BETWEEN ACHWELL PROPERTY SDN BHD ("APSB"), A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY, AND CAPITAL CITY PROPERTY SDN BHD ("CCPSB") FOR AN INTEGRATED DEVELOPMENT IN BANDAR JOHOR BAHRU, DISTRICT OF JOHOR BAHRU, STATE OF JOHOR DARUL TAKZIM ("PROPOSED VARIATION")**

"**THAT** subject to the relevant approvals being obtained, approval be and is hereby given to APSB to undertake the Proposed Variation (details of which are set out in the circular to the shareholders of Gadang dated 30 September 2021 ("**Circular**")) subject to and upon the terms and conditions as stipulated in a conditional settlement agreement dated 28 July 2021 entered into between APSB and CCPSB (through the judicial manager) ("**FSA**"), including the executed debenture and power of attorney, of which the salient terms are set out in Section 3.1 of the Circular;

# NOTICE OF 28TH ANNUAL GENERAL MEETING

**AND THAT** the Board of Directors of the Company ("**Board**") be and is hereby authorised to take all reasonable steps to enter into such other agreements, deeds, arrangements, undertakings, indemnities, transfers, assignments and/or guarantees with any party/(ies) in relation to the Proposed Variation and the transactions contemplated under the FSA, as the Board deems fit, necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the Proposed Variation with full powers to make any application to the relevant authority and regulatory body for any approval and/or consent required and assent to any condition, modification, revaluation, variation and/or amendment as may be required by the relevant authority and to do all such things as the Board may consider necessary or expedient in the best interest of the Company." *(Ordinary Resolution 10)*

***Please refer to Explanatory Note G***

11. 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 0.3 sen per share, for the financial year ended 31 May 2021, if approved by the shareholders at the 28th Annual General Meeting, will be paid on 3 December 2021 to Depositors whose names appear in the Record of Depositors at the close of business on 15 November 2021.

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 15 November 2021 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 (MAICSA 0829689) (SSM PC No. 202008001386)
Company Secretary

Kuala Lumpur
30 September 2021

**NOTES:**

1. *The 28th AGM will be held as a fully virtual meeting conducted through live streaming and remote voting using the remote participation and voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn Bhd on its TIIH Online website at https://tiih.online. Please follow the procedures provided in the Administrative Guide for the 28th AGM in order to register, participate and vote remotely via the RPV facilities.*

2. *Only depositors whose names appear in the Record of Depositors as at 27 October 2021 shall be regarded as members and are entitled to attend, speak and vote at this meeting.*

3. *A member of the Company entitled to attend, speak and vote at this meeting, is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy may but need not be a member of the Company. The instrument appointing a proxy ("**Form of Proxy**") shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.*

# NOTICE OF 28TH ANNUAL GENERAL MEETING

4. *The Constitution of the Company provides that a member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*

5. *Where a member of the Company is an exempt authorised 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 authorised nominee may appoint in respect of each omnibus account it holds.*

6. *The Form of 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 not less than forty-eight (48) hours before the time fixed for the 28th AGM or at any adjournment thereof. Alternatively, you may submit the Form of Proxy electronically via TIIH Online at https://tiih.online before the aforesaid lodgment cut-off time.*

7. *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.*

## EXPLANATORY NOTES

A. **Audited Financial Statements for the financial year ended 31 May 2021**
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 authorise the payment of the following Directors' fees to the Non-Executive Directors ("NEDs") of the Company on a quarterly basis:

| Category | Non-Executive Chairman | Non-Executive Directors |
|---|---|---|
| Directors' Fees (per annum) | RM110,000 | RM80,000 per Director |

The proposed Ordinary Resolution 3, if passed, will authorise the payment of Directors' benefits to the NEDs by the Company. The Directors' benefits of RM150,000 for the period from 4 November 2021 until the next AGM in year 2022 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 or medical claims of the NEDs. The meeting attendance allowance for a NED is RM1,000 per meeting. The leave passage or medical claim for a NED is RM15,000 per annum.

C. **Ordinary Resolutions 4, 5 and 6 – 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. Tan Sri Dato' Kok Onn and Mr Huang Shi Chin are standing for re-election as Directors and being eligible, have offered themselves for re-election.

# NOTICE OF 28TH ANNUAL GENERAL MEETING

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.

Clause 115 of the Company's Constitution provides that any Director appointed by the Board shall hold office only until the next following AGM and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting. Mr Sherman Lam Yuen Suen who was appointed as Independent Non-Executive Director of the Company on 16 August 2021, is standing for re-election and being eligible, has offered himself for re-election. His expertise and experience that he brings to the Board, shall further strengthen the Board composition.

The Board has therefore recommended the re-election of each Director who is retiring at the 28th AGM. The profile of the retiring Directors is set out in the Profile of Directors of the Annual Report 2021.

D. **Ordinary Resolution 7 – 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 2022.

E. **Ordinary Resolution 8 – Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016**
The proposed Ordinary Resolution 8 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 11 November 2020 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 9 – Proposed new and renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature**
The proposed Ordinary Resolution 9 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 parties 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 9 are set out in the Circular to Shareholders dated 30 September 2021, which is available at the Company's website at https://www.gadang.com.my.

G. **Ordinary Resolution 10 – Proposed Variation**

The details of the Proposed Variation are set out in the Circular to Shareholders dated 30 September 2021,which is available at the Company's website at https://www.gadang.com.my.

# 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 28th 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.

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# 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 vote for *me/us on my/our behalf at the 28th Annual General Meeting of the Company which will be held as a fully virtual meeting conducted through live streaming and remote voting using the remote participation and voting facilities at the online meeting platform of TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia via its website at https://tiih.online on Wednesday, 3 November 2021 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 2022 | | |
| 3. | To approve the payment of benefits payable to the Non-Executive Directors | | |
| 4. | To re-elect Tan Sri Dato' Kok Onn as Director | | |
| 5. | To re-elect Mr Huang Shi Chin as Director | | |
| 6. | To re-elect Mr Sherman Lam Yuen Suen as Director | | |
| 7. | To re-appoint Crowe Malaysia PLT as Auditors | | |
| 8. | To authorise the Directors to issue shares | | |
| 9. | To approve the Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions | | |
| 10. | To approve the Proposed Variation | | |

** Strike out whichever not applicable*

Dated this __________ day of ______________________, 2021

______________________________
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:**

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*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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WWW.GADANG.COM.MY

**GADANG HOLDINGS BERHAD** 199301023376 (278114-K)

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