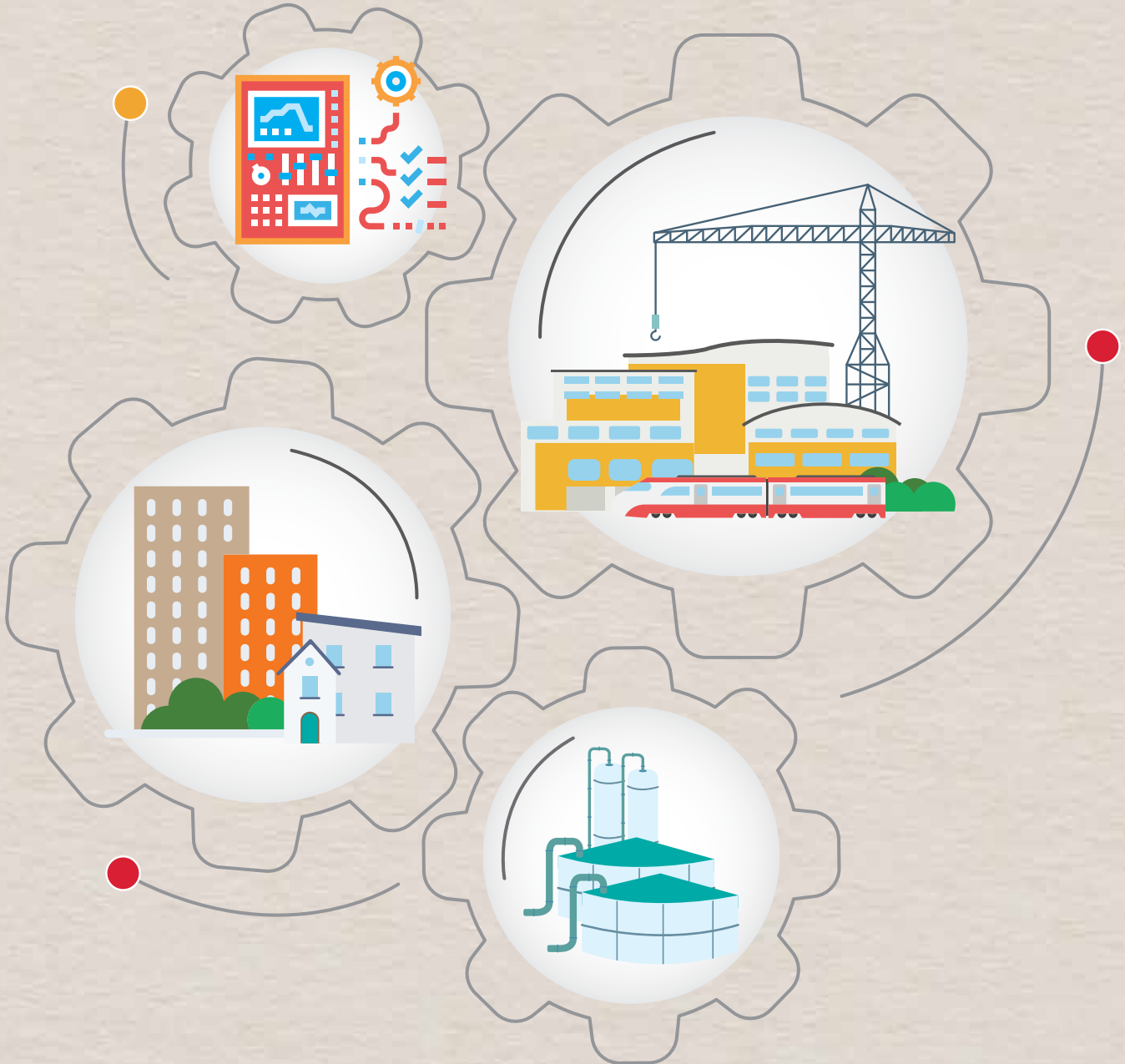




GADANG HOLDINGS BERHAD
(278114-K)



BUILDING A SUSTAINABLE FUTURE

ANNUAL REPORT 2018



Building a Sustainable Future

Gadang has charted countless milestones in its journey to sustaining its performance by staying very focused in its core business. The gear motifs featured in this year's annual report signify the continuous evolvement of Gadang's four core business segments as they strive towards growth to enhance value for its stakeholders.

Vision

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

Mission

- To perpetually pursue value for all our stakeholders
- To build an effective management team that emphasises on productivity and innovation

25th

Annual General Meeting

DATE

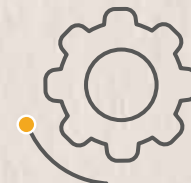
Wednesday, 7th November 2018

TIME

10.00 a.m.

VENUE

Ballroom 1, First Floor
Sime Darby Convention Centre





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To be more environmentally friendly, Gadang Holdings is reducing the print run of all publications. We encourage you to visit our annual report microsite to learn more about the Group's performance in 2018.



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.

At A Glance

REVENUE

RM
596M

PROFIT BEFORE TAX

RM
133M

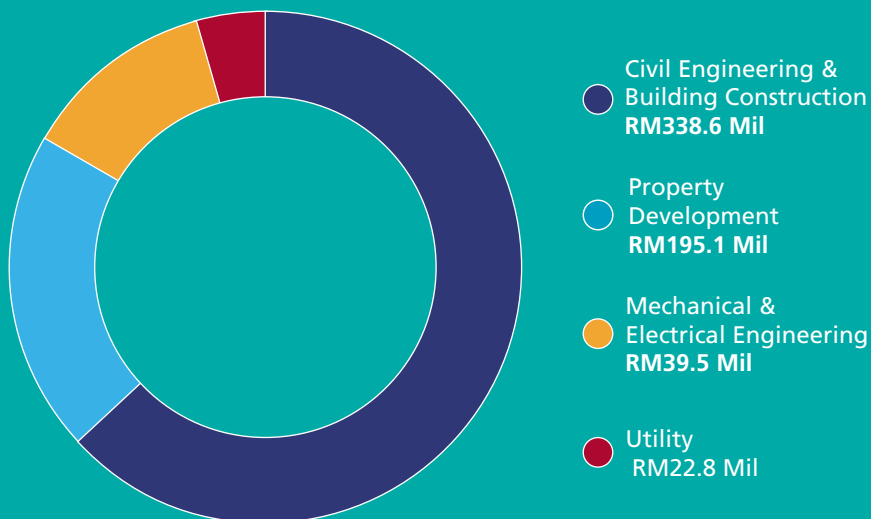
DIVIDEND PAYMENT

3_{SEN}

SHAREHOLDERS' FUND

RM
705M

SEGMENTAL REVENUE



EMPLOYEE BREAKDOWN BY GENDER



EMPLOYEES

555



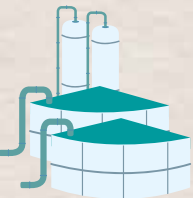
2,500

housing units on 121 acres of land in Cyberjaya, Selangor



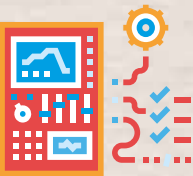
Grade 7

registration with Construction Industry Development Board (CIDB)



owns one mini-hydro power concession and four water concession in Indonesia with a total water production capacity of

1,100 litres/second



Class A Electrical Contractor registration with Suruhanjaya Tenaga Malaysia and a

Grade 7

registration with CIDB

UTILITY

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

Moving forward, the division actively seeks business opportunities and expansion in water business and power generation within Asia region by exploring potential partnerships. The division will continuously improve on quality control to ensure customer satisfaction.

Segmental Revenue
RM22.8 Million

CIVIL ENGINEERING & BUILDING CONSTRUCTION

Gadang Engineering (M) Sdn Bhd ("GESB"), a wholly-owned subsidiary of Gadang has a Grade 7 registration with CIDB.

GESB's principal activities are bulk earthworks, highway and interchanges, bridges, piling and foundation works, construction of commercial, industrial and residential buildings, design & build works and mass rapid transit works.

Segmental Revenue
RM338.6 Million

PROPERTY DEVELOPMENT

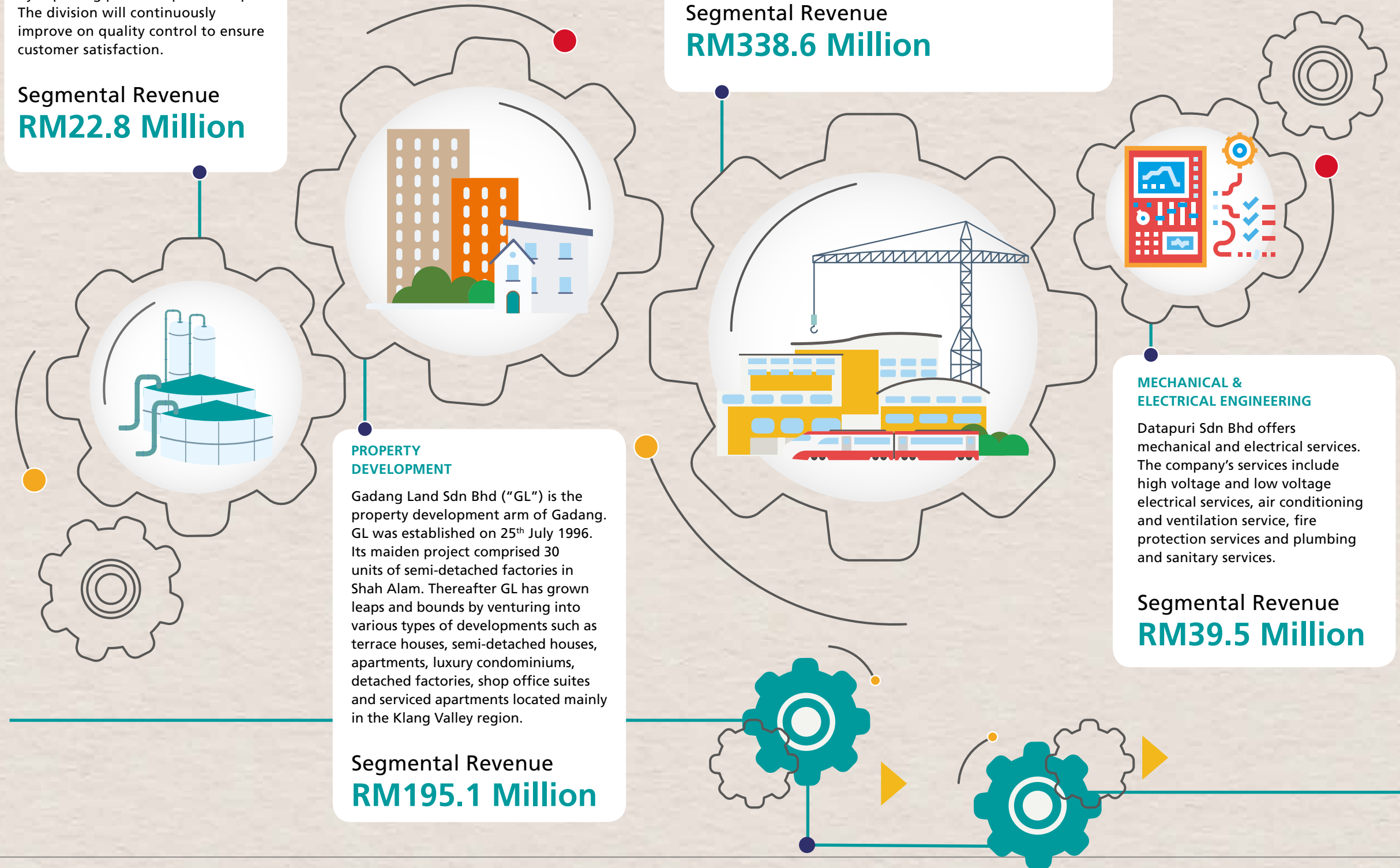
Gadang Land Sdn Bhd ("GL") is the property development arm of Gadang. GL was established on 25th July 1996. Its maiden project comprised 30 units of semi-detached factories in Shah Alam. Thereafter GL has grown leaps and bounds by venturing into various types of developments such as terrace houses, semi-detached houses, apartments, luxury condominiums, detached factories, shop office suites and serviced apartments located mainly in the Klang Valley region.

Segmental Revenue
RM195.1 Million

MECHANICAL & ELECTRICAL ENGINEERING

Datapuri Sdn Bhd offers mechanical and electrical services. The company's services include high voltage and low voltage electrical services, air conditioning and ventilation service, fire protection services and plumbing and sanitary services.

Segmental Revenue
RM39.5 Million



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.

At A Glance

REVENUE

RM
596M

PROFIT BEFORE TAX

RM
133M

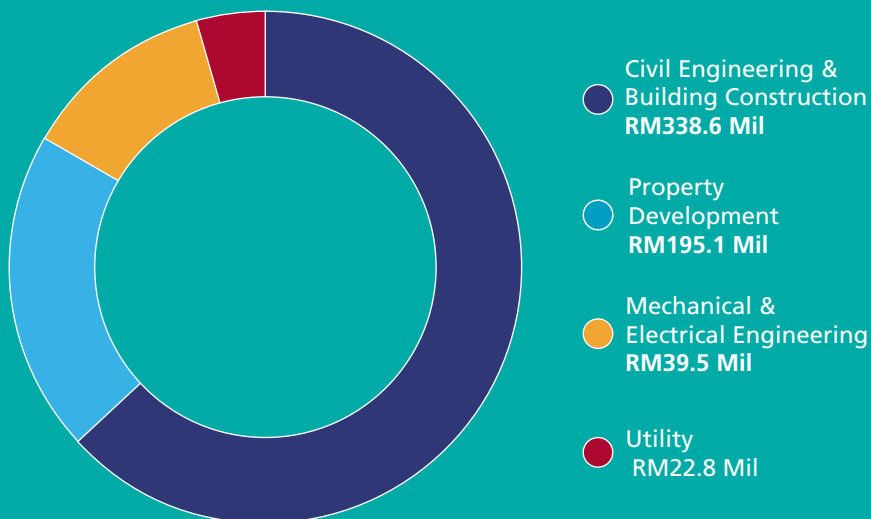
DIVIDEND PAYMENT

3_{SEN}

SHAREHOLDERS' FUND

RM
705M

SEGMENTAL REVENUE



EMPLOYEE BREAKDOWN BY GENDER



EMPLOYEES

555

FINANCIAL CALENDAR

For Financial Year Ended 31 May 2018



ANNOUNCEMENT OF QUARTERLY RESULTS



Financial
Quarter ended
31 August 2017

25
October
2017



Financial
Quarter ended
30 November 2017

24
January
2018



Financial
Quarter ended
28 February 2018

23
April
2018



Financial
Quarter ended
31 May 2018

25
July
2018

FIRST AND FINAL DIVIDEND

Book Closure	16 November 2018
Payment	07 December 2018

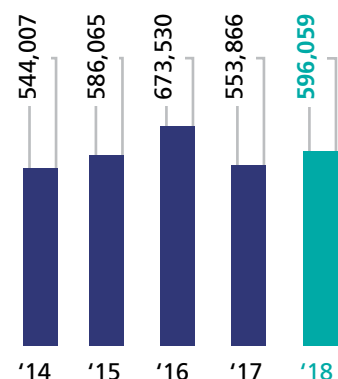
PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS

Notice of 25 th Annual General Meeting	28 September 2018
25 th Annual General Meeting	07 November 2018

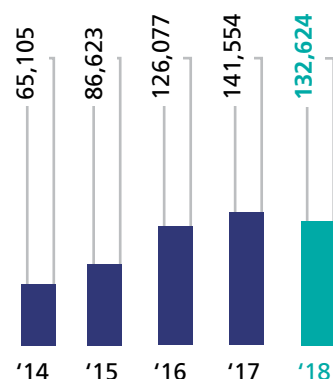
FINANCIAL HIGHLIGHTS

Year Ended 31 May	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Revenue					
Construction	378,131	286,623	480,609	449,662	442,193
Property Development	195,114	244,176	172,021	119,721	87,034
Utility	22,814	23,067	20,900	16,682	14,780
Investment & Others	-	-	-	-	-
	596,059	553,866	673,530	586,065	544,007
Plantation (discontinued)	236	2,672	1,874	1,333	939
	596,295	556,538	675,404	587,398	544,946
Profit/(Loss) Before Taxation					
Construction	84,728	83,056	71,482	49,239	33,666
Property Development	65,479	62,837	52,928	39,763	30,631
Utility	60	4,651	5,614	2,725	4,684
Investment & Others	(17,643)	(8,990)	(3,947)	(5,104)	(3,876)
	132,624	141,554	126,077	86,623	65,105
Plantation (discontinued)	(155)	(2,952)	(1,574)	(1,725)	(2,020)
	132,469	138,602	124,503	84,898	63,085
Profit After Taxation	96,922	100,606	94,702	60,999	44,378
Profit Attributable to Shareholders	96,909	100,116	94,767	59,837	43,225
Issued Share Capital	338,380	331,678	258,623	216,369	196,691
Shareholders' Funds	704,884	623,168	529,103	381,363	297,998
Total Tangible Assets	1,685,401	1,408,055	1,205,134	809,386	571,688
Net Earnings Per Share (RM)	0.1473	0.1590*	0.4094	0.2789	0.2198
Net Assets Per Share (RM)	1.07	0.95*	2.05	1.76	1.52

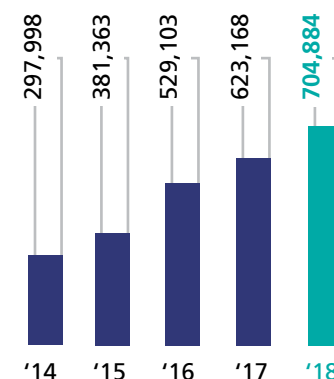
Revenue
RM'000



Profit Before Taxation
RM'000



Shareholders' Funds
RM'000



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

CORPORATE STRUCTURE



PROPERTY INVESTMENT AND DEVELOPMENT

- 100% Achwell Property Sdn Bhd
- 100% Mandy Corporation Sdn Bhd
- 100% Gadang Land Sdn Bhd
 - 100% Gadang Properties Sdn Bhd
 - 100% Buildmark Sdn Bhd
 - 100% Noble Paradise Sdn Bhd
 - 100% Damai Klasik Sdn Bhd
 - 100% Magnaway Sdn Bhd
 - 100% Splendid Pavilion Sdn Bhd
 - 100% Sama Pesona Sdn Bhd
 - 100% City Version Sdn Bhd
 - 100% Natural Domain Sdn Bhd
 - 100% Crimson Villa Sdn Bhd
 - 100% Flora Masyhur Sdn Bhd
 - 100% Camar Ajaib Sdn Bhd
 - 100% Skyline Symphony Sdn Bhd
 - 100% Hillstrand Development Sdn Bhd
 - 100% Detik Tiara Sdn Bhd
 - 100% Prelude Avenue Sdn Bhd
 - 100% Tema Warisan Sdn Bhd
 - 100% 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
 - 51% Gadang CRFG Consortium Sdn Bhd*

UTILITY

- 100% Regional Utilities Sdn Bhd
 - 70% Nusantara Suriamas Sdn Bhd
 - 100% PT. Asian Utilities Indonesia
 - 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

MECHANICAL AND ELECTRICAL WORKS

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

Note:
* Joint Venture

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

BOEY TAK KONG
Senior Independent
Non-Executive Director

HUANG SHI CHIN
Independent
Non-Executive Director



AUDIT COMMITTEE

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

NOMINATION & REMUNERATION COMMITTEE

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

BOARD RISK COMMITTEE

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

SECRETARY

Tan Seok Chung, Sally
MAICSA 0829689

REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

Wisma Gadang, No. 52 Jalan Tago 2
Off Jalan Persiaran Utama
Sri Damansara
52200 Kuala Lumpur
T : (03) 6279 6288
F : (03) 6275 2136
E : corporate@gadang.com.my
W : www.gadang.com.my

SHARE REGISTRAR

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

AUDITORS

Crowe Malaysia (formerly known
as Crowe Horwath) (AF 1018)
Chartered Accountants
Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
T : (03) 2788 9999
F : (03) 2788 9998

PRINCIPAL BANKERS

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

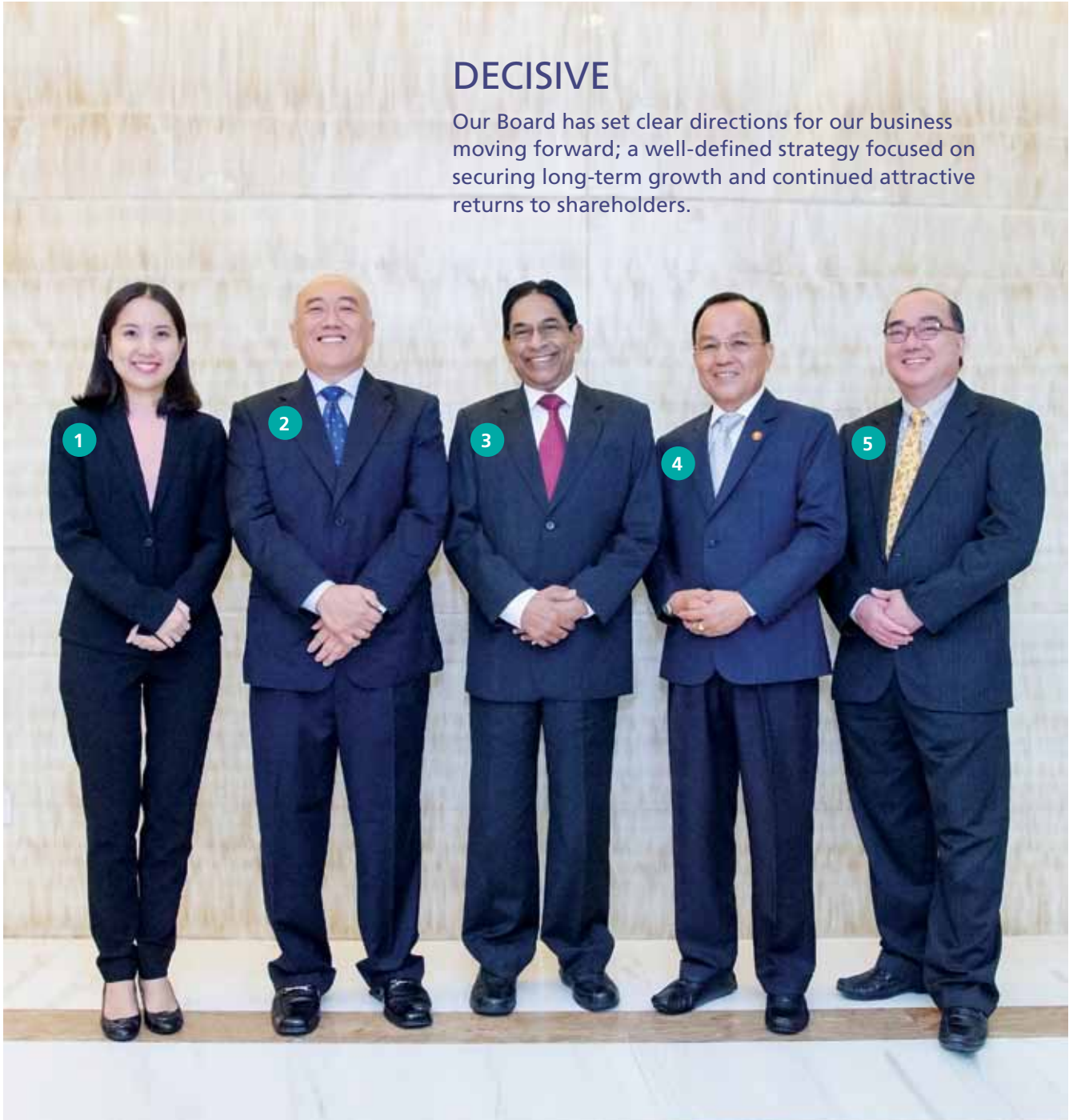
STOCK EXCHANGE LISTING

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

DECISIVE

Our Board has set clear directions for our business moving forward; a well-defined strategy focused on securing long-term growth and continued attractive returns to shareholders.



1. MS KOK PEI LING
2. MR HUANG SHI CHIN
3. TAN SRI DATO' SERI DR. MOHAMED ISMAIL BIN MERICAN
4. TAN SRI DATO' KOK ONN
5. MR BOEY TAK KONG

PROFILE OF DIRECTORS

1

TAN SRI DATO' SERI DR. MOHAMED ISMAIL BIN MERICAN

Chairman
Independent Non-Executive Director



AGE
70

M

DATE OF APPOINTMENT

1 December 2016

MEMBERSHIP OF BOARD COMMITTEES

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

LENGTH OF SERVICE (AS AT 31 MAY 2018)

1 year 6 months

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor of Medicine, Bachelor of Surgery (MBBS), University of Malaya

- Fellow of the American College of Physicians (F.A.C.P) (Hons, US)

WORKING EXPERIENCE

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

OTHER DIRECTORSHIP(S) IN PUBLIC COMPANIES AND LISTED ISSUERS

Nil

2

TAN SRI DATO' KOK ONN

Managing Director cum
Chief Executive Officer



AGE
67

M

DATE OF APPOINTMENT

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

MEMBERSHIP OF BOARD COMMITTEES

Nil

LENGTH OF SERVICE (AS AT 31 MAY 2018)

21 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 46 years. He has gained extensive knowledge and experience in most aspects of civil and structural engineering schemes with various projects in Malaysia, China, Middle East and South Africa.

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

OTHER DIRECTORSHIP(S) IN PUBLIC COMPANIES AND LISTED ISSUERS

Green Packet Berhad

PROFILE OF DIRECTORS

3

BOEY TAK KONGSenior Independent
Non-Executive DirectorAGE
64

M

DATE OF APPOINTMENT

3 December 2007

MEMBERSHIP OF BOARD COMMITTEES

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

LENGTH OF SERVICE (AS AT 31 MAY 2018)

10 years 6 months

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Chartered Accountant, Malaysian Institute of Accountants

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

WORKING EXPERIENCE

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

OTHER DIRECTORSHIP(S) IN PUBLIC COMPANIES AND LISTED ISSUERS

- Dutch Lady Milk Industries Berhad
- Green Packet Berhad
- Censof Holdings Berhad
- Ho Hup Construction Company Berhad

4

KOK PEI LINGExecutive Director
Chief Financial OfficerAGE
36

F

DATE OF APPOINTMENT

2 January 2013

MEMBERSHIP OF BOARD COMMITTEES

Nil

LENGTH OF SERVICE (AS AT 31 MAY 2018)

5 years 5 months

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

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

WORKING EXPERIENCE

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

OTHER DIRECTORSHIP(S) IN PUBLIC COMPANIES AND LISTED ISSUERS

Nil

PROFILE OF DIRECTORS

5

HUANG SHI CHIN

Independent Non-Executive Director



AGE
60

M

DATE OF APPOINTMENT

1 August 2017

MEMBERSHIP OF BOARD COMMITTEES

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

LENGTH OF SERVICE (AS AT 31 MAY 2018)

10 months

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

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

- Chartered Accountant of the Malaysian Institute of Accountants

WORKING EXPERIENCE

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

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

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

OTHER DIRECTORSHIP(S) IN PUBLIC COMPANIES AND LISTED ISSUERS

Nil

Other Information on Directors

Save as disclosed, none of the Directors has:-

1. any family relationship with any Director and/or major shareholder of the Company, except for Tan Sri Dato' Kok Onn who is the father of Kok Pei Ling, the Executive Director and spouse of Puan Sri Datin Chan Ngan Thai, a major shareholder of the Company;
2. any conflict of interest with the Company;
3. any conviction for offences within the past 5 years; and
4. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2018.

KEY SENIOR MANAGEMENT



- | | | |
|--|---|--|
| <p>1. DATO' CHAN AH KAM
Head of Group Contract & Legal</p> | <p>3. SAW CHEE HOAY
Executive Director /
Head of Tender & Contract
(Construction Division)</p> | <p>5. LIEW SWEE KONG
Managing Director
(Mechanical & Electrical
Division)</p> |
| <p>2. KHEW CHECK KIET
Managing Director
(Construction Division)</p> | <p>4. DATO' LING HOCK HING
Managing Director
(Property Division)</p> | <p>6. FOO MIENG YONG
Managing Director
(Utility Division)</p> |

1

DATO' CHAN AH KAM

Head of Group Contract & Legal
Gadang Holdings Berhad

AGE
65

M

DATE APPOINTED AS KEY SENIOR MANAGEMENT
15 December 1997

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

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

WORKING EXPERIENCE

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.

PROFILE OF KEY SENIOR MANAGEMENT

2

KHEW CHECK KIET

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



AGE
58

M

DATE APPOINTED AS KEY SENIOR MANAGEMENT

13 June 2011

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

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

WORKING EXPERIENCE

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

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

3

SAW CHEE HOAY

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



AGE
64

M

DATE APPOINTED AS KEY SENIOR MANAGEMENT

2 August 2000

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

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

WORKING EXPERIENCE

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

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

PROFILE OF KEY SENIOR MANAGEMENT

4

DATO' LING HOCK HING

Managing Director, Gadang Land Sdn Bhd
(Property Division)

AGE
53

M

DATE APPOINTED AS KEY SENIOR MANAGEMENT

19 November 2009

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Chartered Accountant, Malaysian Institute of Accountants
- Member, Malaysian Institute of Certified Public Accountants

WORKING EXPERIENCE

He joined the Board of Gadang Holdings Berhad on 19 May 1997 as an Alternate Director. He was subsequently appointed as an Executive Director on 2 September 1997 until 19 November 2009 to assume the role of Managing Director of Gadang Land Sdn Bhd, the Property Division of the Group.

Prior to joining Gadang Holdings Berhad, he was the General Manager for Group Finance of Bridgecon Holdings Berhad. He was previously attached to KPMG Peat Marwick (now known as KPMG) from October 1986 to July 1991 where he qualified as a Certified Public Accountants before joining another audit firm, Ernst & Young in August 1991. He left Ernst & Young in August 1992, shortly before joining Bridgecon Engineering Sdn Bhd in November 1992 as Finance Manager.

5

LIEW SWEE KONG

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

AGE
46

M

DATE APPOINTED AS KEY SENIOR MANAGEMENT

1 November 2012

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor in Electrical Engineering, University of Teknologi Malaysia

WORKING EXPERIENCE

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

PROFILE OF KEY SENIOR MANAGEMENT

6

FOO MIENG YONG

Managing Director, Regional Utilities Sdn Bhd
(Utility Division)



AGE
65

M

DATE APPOINTED AS KEY SENIOR MANAGEMENT

1 March 2016

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

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

WORKING EXPERIENCE

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

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

Other Information on Key Senior Management

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

1. any directorship in public companies and listed issuers;
2. any family relationship with any Directors and/or major shareholders of the Company, except for Liew Swee Kong who is the nephew of Tan Sri Dato' Kok Onn and cousin of Kok Pei Ling who are members of the Board of the Company;
3. any conflict of interest with the Company;
4. any conviction for offences within the past 5 years; and
5. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2018.

GADANG IN THE NEWS

Gadang looking steady after disposal of plantation arm

SEGI 40th Anniversary logo with '40' and '50' in large numbers. Below it, a banner reads 'IN-DEMAND GRADUATE' with '100 200 300' in large red numbers. The background shows graduates in caps and gowns.

NEWS WITHOUT BORDERS

Cyberjaya to have new hospital by 2020

BY G. SUNBIZ

Cyberjaya's first public hospital is set to be completed by the end of the year, with the population in the Putrajaya, Dengli, Serdang and Puchong areas, said Health Minister Datuk Seri Dr. S. Subramaniam.

"When the Cyberjaya Hospital is completed, the people will have at least three public hospitals in the vicinity, namely Putrajaya Hospital, Serdang Hospital and the Dengli Hospital in one treatment," he said at the ground-breaking ceremony yesterday.

The hospital, that will be built with environmental-friendly and energy-efficient features, will be for the certification standard.

"Apart from the Cyberjaya Hospital, there are approximately six other hospitals being built in a similar manner, that includes regional state intervention and solar energy harvesting technology," Cyberjaya Developer, Cyberjaya Sdn Bhd Chairman Tan Sri Mohd Ibrahim Linggi Achdiha thanked Prime Minister Datuk Seri Health Minister Datuk Seri Health, Abdul Razak and instrumental in approving the RM427 million facility.

"The Cyberjaya Hospital will occupy a lot more site and would be a new strategy for providing a 20-bed facility.

The hospital will also adhere an area for future expansion to accommodate an additional 60 beds.



Renewed focus on construction and utilities

By G. SUNBIZ

The idea to diversify into construction was born in 2010 when the company saw all palm oil revenues dropping. The initial idea was to diversify into the plantation business. The initial idea was to diversify into the plantation business. The initial idea was to diversify into the plantation business.

When you have a portfolio of investments like this, there will be a lot of opportunities to invest in other sectors, said the CEO. The company is looking at other sectors like construction and utilities.

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When you have a portfolio of investments like this, there will be a lot of opportunities to invest in other sectors, said the CEO. The company is looking at other sectors like construction and utilities.

10 | SUNBIZ

Gadang Holdings net profit rises on higher revenue from construction

PETALING JAYA: Gadang Holdings Bhd net profit in the first quarter (Q1) ended Aug 31, 2017, rose 9.5% to RM8.3 million from RM6.7 million in the previous corresponding quarter on the back of higher revenue in the construction division.

Revenue for the quarter grew 22.4% to RM47.7 million compared with RM39.1 million in the same period last year.

In a filing with the stock exchange yesterday, Gadang said its construction revenue for the quarter increased to RM20.5 million against RM12.1 million previously, mainly due to progress from the existing project namely Rapid park 301 and 424; commencement of work in new projects - EXMET Vase project, TRX project and Cyberjaya Hospital.

theSun ON TUESDAY | AUGUST 21, 2018

BRIEFS

GADANG'S UNIT GETS RM86M TRX CITY JOB

PETALING JAYA: Gadang Holdings Bhd's wholly owned subsidiary, Gadang Engineering (M) Sdn Bhd has received a letter of award from TRX City Sdn Bhd to undertake the proposed construction and completion of Phase 1 of public realm works for RM86.06 million. The contract covers the structural work as well as landscape and softscape for the North-West Plaza, which is the TRX pedestrian entrance from Bukit Bintang, and the North East Plaza, also known as the Tun Razak Exchange MRT Plaza. The group told the stock exchange that the project will commence on Sept 1 and be completed in the third quarter of next year.

Gadgang looks at more property development activity

SUNBIZ

Gadgang Holdings Bhd, which is a wholly owned subsidiary of Gadang Holdings Bhd, is looking at more property development activity.

Gadgang Holdings Bhd, which is a wholly owned subsidiary of Gadang Holdings Bhd, is looking at more property development activity.

Gadgang Holdings bags RM86.06m TRX job



嘉登获8609万TRX合约

【星洲20日讯】嘉登(GADANG)昨日宣布，获委任为TRX City Sdn Bhd的承包商，负责完成TRX City Sdn Bhd的公共领域工程，合约价值为8609万令吉。

嘉登表示，该工程包括结构工程、景观工程及软体工程。该工程将包括北西广场、北东广场，以及著名的敦拉扎曼广场。集团表示，该工程将于9月1日开始，并于明年第三季完成。

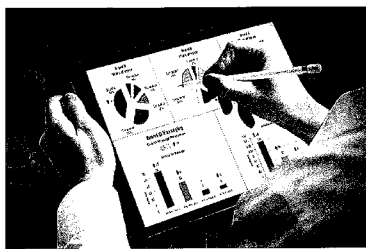
达洋企业获2油气合约

【星洲20日讯】达洋企业(DAYANG)昨日宣布，获委任为两个油气项目的承包商。其中一个项目是位于汶莱的油气项目，另一个项目是位于马来西亚的油气项目。达洋企业表示，这两个项目的合约价值分别为1.5亿令吉和1.2亿令吉。

GADANG IN THE NEWS

RHB Research raises Gadang target price to RM1.48

MARKET REPORTS
Thursday, 25 Jan 2018 9:03 AM MYT



QUALA LUMPUR: RHB Research is maintaining its buy call on Gadang with a target price of RM1.48, which is just four sen above its last traded price of RM1.44.

The research house said on Thursday its FY18-20 net profit forecasts were adjusted by +26%, +4%, and +5% respectively, as it expected higher construction billings and lower contribution from the property segment.

RHB Research said its sum-of-parts derived TP is raised to RM1.48 after the earnings revision.

"At our TP, Gadang would be trading at a compelling FY18 P/E of nine times, in comparison to the small cap construction sector's P/E range of 10 to 12 times.

"We maintain our positive stance on Gadang for its earnings visibility driven by its sizeable order backlog, as well as process track record and reputation. Downside risks include weaker-than-expected margins, and failure to replenish its orderbook," it said.

RHB Research said Gadang currently trades at an underpricing FY18 P/E of only seven times, which is underpriced, in its view.

"We believe downward expectations for its property division have already been reflected in its share price. Its construction division, on the other hand, is backed by an outstanding orderbook of RM4.6bl, which supports earnings for the next three years.

"Earlier orderbook replenishment opportunities lie in the LRT3 and Pan Borneu Sabah projects," it said.

Gadang reported QOY18 net profit of RM29.3mil (+25% on-year), which contributed to a SH17 net profit of RM46.7mil (+5% on-year).

After adjusting for one-off items, including a loss on disposal amounting to RM1.3mil following the sale of its plantation assets, it derived a core net profit of RM48.8mil (+9% on-year).

"This accounted for 47% of our FY18 forecast, in line with our and consensus estimates. Earnings were driven by the construction segment," it said.

Gadang's property division had a poor showing in the second quarter, with profit before tax falling 42% on-year as take-up rates for its developments remain subdued.

The construction division, however, more than made up for the shortfall, with profit before tax more than doubling (+105% on-year).

This was underpinned by billings from its current contracts on hand, in addition to variations orders for completed projects, which propelled the segment's profit before tax margin to 30%.

"We remain upbeat on construction. Outstanding construction orderbook targeted to rise to RM1.62bl from RM2.6bl a quarter earlier - which should provide earnings visibility for the next three years.

"Looking ahead, we are forecasting an orderbook replenishment rate of RM500mil for FY18.

"Gadang is vying for one of the remaining RM700mil work packages for the EPR Rail Transit Line 3 (RTR3) project, as well as contracts from the Pan Borneu Sabah project, which would likely be awarded in 2019.

"Gadang launched phase 2 of its Cyberjaya development comprising PRIMA apartments and double-money houses in 1Q17, with a total GDV of RM337mil.

"However, we gather that the rest of FY18 would likely be more quiet - with only its joint venture project in Putra Perdana (GDV: RM160mil) likely to be given the green light," said RHB Research.

KEYS WORDS:
Analyst Reports, Corporate News

Handwritten note: "NANJANG 30/1/18" with a signature and date.

Printed text: "2018年1月30日 星期二 A9"

嘉登次季季赚 2837 万

(吉隆坡 29 日讯) 嘉登 (GADANG, 9261, 主板建筑股) 截至去年 11 月杪的 2018 财年次季, 净利润按年上涨 1.7% 至 2837 万 1000 令吉, 或每股 4.32 仙。

嘉登日前向交易所报备, 去年同期净利润为 2790 万 5000 令吉, 或每股 4.32 仙。

该季营业收入报 1 亿 4286 万 7000 令吉, 比去年的 1 亿 4712 万 1000 令吉, 下跌 2.9%。

B 大马回教银行, 同分析员相惜, 若合

半年净利涨 4.7%

累计 6 个月, 净利润为 4670 万 9000 令吉或每股 7.1 仙, 按年上涨 4.7%; 营业额录得 2 亿 5960 万 7000 令吉, 年升 3.4%。

嘉登公司的财报, 旗下多个业务的收益减少, 加产业业务年跌 45% 至 1053 万 6000 令吉。

公用事业业务更录得亏损 66 万令吉, 远低于去年同期 178 万 4000 令吉盈利。

然而, 贡献着收越大的建筑业务, 盈利按年翻倍至 3085 万令吉, 抵消了上述两者的负面因素, 让净利录得年升记录。

今天闭市时, 嘉登收报 1.16 令吉, 无起落, 成交量为 116 万 8400 股。

建筑业务扶持

嘉登业绩符合市场预期, 大部分投行都维持或上调该公司的盈利和目标价。

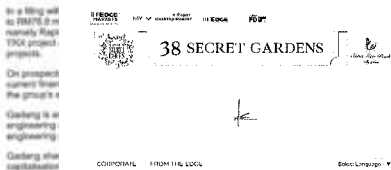
兴业投行研究分析员上调嘉登未来 3 年的预测 3 至 5%, 因为该行看好该公司在建筑业务的收入提高, 同时抵消来自产业业务的营收贡献。



Gadang Holdings net profit rises on higher revenue from construction

Published on 25 October 2017 - 10:55pm
mailto:info@thesundaily.com.my

PETALING JAYA: Gadang Holdings' net profit in the first quarter (Q1) ended Aug 31, 2017, rose 8.8% to RM19.3 million, from RM18.7 million in the previous corresponding year on the back of 7% revenue in the construction division.



Higher margins in construction segment seen for Gadang

By Alan Sze, Analyst / The Edge Financial Daily
October 25, 2017 10:53 am +08

This article first appeared in The Edge Financial Daily on October 22, 2017.

Gadang Holdings' Q1 net profit rose 8.8% to RM19.3 million in Q1 2017, up from RM18.7 million in Q1 2016, on the back of 7% revenue in the construction division, which reported a 10.5% increase to RM4.6 billion, up from RM4.1 billion in Q1 2016.

Q1 2017 revenue also rose 8.8% to RM6.2 billion, up from RM5.7 billion in Q1 2016, as the company's other divisions reported a 3.2% increase to RM1.6 billion, up from RM1.5 billion in Q1 2016.

Q1 2017 revenue also rose 8.8% to RM6.2 billion, up from RM5.7 billion in Q1 2016, as the company's other divisions reported a 3.2% increase to RM1.6 billion, up from RM1.5 billion in Q1 2016.



Gadang's share price up on contract to build Cyberjaya hospital

Published on 1 August 2017 - 10:47am
mailto:info@thesundaily.com.my

PETALING JAYA: Gadang Holdings' share price rose 8.8% on Monday after it signed a RM470 million contract for the construction of a hospital in Cyberjaya, Selangor with a capacity of 200 beds.

As at 10:45am, Gadang's share price stood at RM17.20 with 1.7m shares changing hands, from a market capitalisation of RM692.0 million.

The group said it is vying for the stock exchange that is wholly owned subsidiary Gadang Engineering (Malaysia) Sdn Bhd, the winner of a tender dated August 17 for the project.

The contract is expected to contribute positively to the future earnings.

Source: theSUNDAILY.com.my
www.thesundaily.com.my

Gadang shares rise on RM86mil contract win

Published on 21 August 2017 - 9:24 AM MYT

QALALUMPUR: Gadang Holdings' share price rose 8.8% on Monday after it signed a RM86 million contract for the construction of a hospital in Cyberjaya, Selangor with a capacity of 200 beds.

The group said it is vying for the stock exchange that is wholly owned subsidiary Gadang Engineering (Malaysia) Sdn Bhd, the winner of a tender dated August 17 for the project.

The contract is expected to contribute positively to the future earnings.

Source: theSUNDAILY.com.my
www.thesundaily.com.my

This article first appeared in The Edge Financial Daily on October 22, 2017.

Gadang Holdings' Q1 net profit rose 8.8% to RM19.3 million in Q1 2017, up from RM18.7 million in Q1 2016, on the back of 7% revenue in the construction division, which reported a 10.5% increase to RM4.6 billion, up from RM4.1 billion in Q1 2016.

Q1 2017 revenue also rose 8.8% to RM6.2 billion, up from RM5.7 billion in Q1 2016, as the company's other divisions reported a 3.2% increase to RM1.6 billion, up from RM1.5 billion in Q1 2016.

Q1 2017 revenue also rose 8.8% to RM6.2 billion, up from RM5.7 billion in Q1 2016, as the company's other divisions reported a 3.2% increase to RM1.6 billion, up from RM1.5 billion in Q1 2016.



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

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board, it gives me great pleasure to present the Annual Report and Financial Statements for the financial year ended 31 May 2018 ("FYE 2018").

ECONOMIC LANDSCAPE

The global uncertainty for FYE 2018 is clouded by continuous trade wars between the larger economic blocks. In the domestic economy, the Government's strong focus with Industry 4.0 technologies provide the right impetus to realign the export market drive for the industrial segment.

Malaysia's GDP should remain resilient this year on the back of strong private consumption growth, although government consumption is likely to decline in the near term from the curtailment and cancellation of previously approved mega infrastructure projects and expenditure cuts. High household debt servicing costs could drag on private

consumption, while uncertainty over government policy and the fiscal situation could impact on private sector activity and investment.

FINANCIAL PERFORMANCE

In spite of the volatile and challenging marketplace conditions, the Group was able to record another year of sustainable financial performance with a higher consolidated revenue by 8% to RM596.1 million attributed again by the Construction and Property Divisions being the major revenue contributors for the year as compared to RM553.9 million in the previous year.

CHAIRMAN'S STATEMENT

However, the profit before tax ("PBT") stood at RM132.6 million, which is marginally lower than the PBT reported in FYE 2017 of RM141.6 million. This was mainly due to RM4.4 million fair value adjustment pursuant to the granting of the Employees' Share Option Scheme and one-off impairment of RM10.5 million on investment properties, inventories and other receivables.

PROPOSED DIVIDEND

The Board is pleased to recommend a first and final dividend of 3 sen per ordinary share for FYE 2018 to be approved at the forthcoming Annual General Meeting by the shareholders.

The estimated dividend payment based on the share capital will amount to some RM19.8 million. This translates into a dividend payout ratio of 20% of its annual earnings, which is in line with our payout ratio over the last few years.

CORPORATE AND BUSINESS DEVELOPMENTS

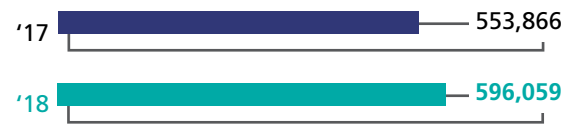
- (a) On 15 January 2018, the Company offered second tranche of Employees' Share Option Scheme ("ESOS"). Total number of ESOS options offered is 15,201,200 at the subscription price of RM1.03 per share.
- (b) On 6 February 2018, the Property Division entered into a conditional Sale and Purchase Agreement with GP Views Development Sdn Bhd to acquire two parcels of freehold land measuring approximately 78 acres in Mukim of Jeram Batu, District of Pontian, Johor for a purchase consideration of RM149,000,000.
- (c) On 16 April 2018, the Company acquired the remaining 49% equity interest in Datapuri Sdn Bhd ("Datapuri") comprising 980,000 ordinary shares from Exclusive Acres Sdn Bhd for a cash consideration of RM2,500,000. Pursuant to the Acquisition, Datapuri became a wholly-owned subsidiary of the Company.

BUSINESS OUTLOOK

The outlook for the Construction sector is expected to be sluggish in the second half of 2018 riding on the tight fiscal policy to be adopted by the new Government. The reduced public spending could translate into less infrastructure development projects. Nonetheless, our Construction Division will remain cautious in the selection of new projects taking cognizance of the market challenges with the current outstanding order book of some RM1.5 billion to be implemented by leveraging on its available equipment and machinery assets.

Revenue (RM'000)

RM 596,059



Shareholders' Funds (RM'000)

RM 704,884

FYE 2017: RM 623,168

The property market outlook in 2018 will continue to be soft in view of a mismatch between the demand and supply of residential units as well as commercial units in the country. Our Property Division will continue to adopt a more prudent approach in new property launches and will continue to intensify its marketing and sales initiatives to dispose of the current inventories on hand.

Our water concessions in Indonesia continued to contribute recurring revenues to the Utility Division for FYE 2018. The completion of the 9MW mini-hydro power plant in Indonesia by next financial year will help to broaden the Division's earnings base.

We are proud to have historically stable and reliable earnings with good visibility provided by a strong orderbook and healthy land bank. For the coming year, we aim to replenish and enlarge our construction order book, strengthen our property market position and ensure efficient operations of our concession business.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express our appreciation to the management team and employees for their commitment and dedication. I would also like to take this opportunity to thank the shareholders, business associates, clients, bankers, subcontractors and suppliers for their support to the Group. The Group values and looks forward to this continued support as we undertake our transformative journey and to mitigate market challenges.

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

MANAGEMENT DISCUSSION & ANALYSIS

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

FINANCIAL RESULTS REVIEW

FINANCIAL PERFORMANCE OVERVIEW

In FYE 2018, the Group reported revenue of RM596.1 million (FYE 2017: RM553.9 million), with the increase in revenue attributed by the Construction Division's infrastructure projects. However, the profit before tax ("PBT") declined marginally by 6% to RM132.6 million (FYE 2017: RM141.6 million). This was mainly due to RM4.4 million fair value adjustment pursuant to the granting of the Employees' Share Option Scheme and one-off impairment of RM10.5 million on investment properties, inventories and other receivables.

The Construction Division contributed positively to record a revenue of RM378.1 million (FYE 2017: RM286.6 million) or 63% of the Group's total revenue. The revenue mainly derived from the



MANAGEMENT DISCUSSION & ANALYSIS

The group via its three core business segments, namely Construction, Property and Utility has performed reasonably well for the financial year ended 31 May 2018 (“FYE 2018”) in the face of macroeconomic challenges and marketplace uncertainties.

We have made good progress in implementing our business strategies and initiatives to achieve robust operational outcomes and sustainable performance results.

existing on-going and new projects. In terms of operating profit, the Construction Division contributed RM84.7 million (FYE 2017: RM83.1 million) representing 64% of the Group total operating profit for FYE 2018.

The operating profit of the Property Division was higher at RM65.5 million (FYE 2017: RM62.8 million) despite a lower revenue of RM195.1 million (FYE 2017: RM244.2 million). The higher profit margin of 34% (FYE 2017: 26%) was mainly attributed by the higher profit reported for the Capital City project.

The Utility Division registered operating profit of RM0.06 million as compared to PBT of RM4.6 million in the previous year, on the back of revenue of RM22.8 million (FYE 2017: RM23.1 million). The lower operating profit was mainly due to loss on foreign exchange of RM3.5 million and pre-operating expenses for the mini-hydro power project of RM0.9 million.

Other Expenses

Other expenses increased to RM19.0 million this financial year (FYE 2017: RM3.1 million) mainly attributed to RM3.9 million foreign exchange loss and one-off impairment of RM10.5 million on investment properties, inventories and other receivables.

Share of Results of Joint Venture

This relates to the joint venture project with our China business partner, CRFG Malaysia Berhad for the TRX infrastructure works.

FINANCIAL POSITION OVERVIEW

Property, Plant and Equipment (“PPE”)

The additional cost of RM30.6 million during FYE 2018 comprises mainly of geotechnical boring machines and other related equipment, specially designed to undertake technically challenging drilling activities.

Investment Properties

An increase of RM64.8 million during FYE 2018 mainly in relation to the land-banking exercise for the strategic acquisition of Damansara Perdana land.

Inventories

The inventories of RM69.8 million (FYE 2017: RM1 million) comprise the completed but unsold property stocks.

CAPITAL MANAGEMENT

Our capital management strategy involves adopting and maintaining a prudent net gearing level and securing financing on favourable market terms. The Group treasury’s main objective is to optimise internal funds management and to reduce external funding cost.

MANAGEMENT DISCUSSION & ANALYSIS

The Group's total borrowings increased from RM192.6 million in FYE 2017 to RM283.4 million in FYE 2018, due to the drawdown of long term borrowings to finance the acquisition of Damansara Perdana land and the construction of the mini-hydro power plant in Indonesia. However, this increase was partially offset by increase in cash and cash equivalent in FYE 2018. As a result, the gearing ratio is 0.40 times, which is 0.09 times higher than the 0.31 times last year.

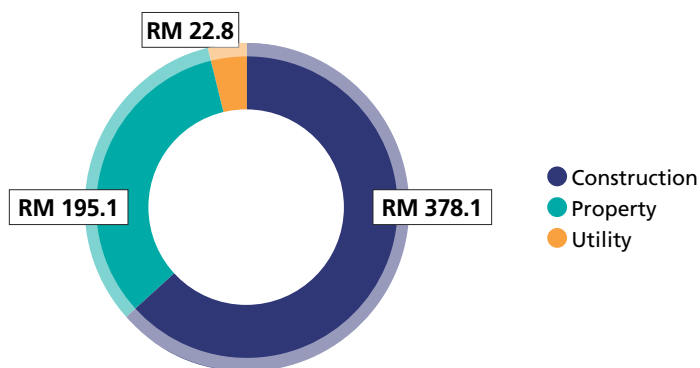
To mitigate foreign currency exposure, our new mini hydro power plant in Indonesia is financed by borrowings denominated in Rupiah to provide a natural forward hedge.

The Group is cautiously assessing our funding requirement and ensuring that we obtain the most competitive borrowing rate. The effective borrowing rate is between 4.46% to 12.50%, depending on the type of borrowings. We are also continuously exploring options towards reducing our gearing level, such as equity fund raising, assets monetisation, disposal of land bank which are not for immediate development as well as intensifying sales of the property inventories.

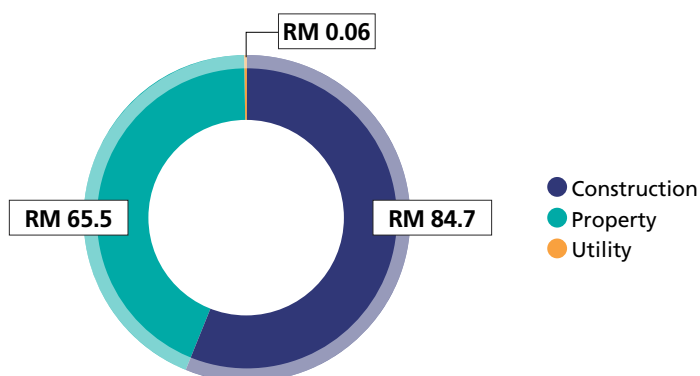
As at 31 May 2018, cash and cash equivalent of the Group stood at RM209.1 million (FYE 2017: RM201.2 million). Our excess funds are managed carefully to ensure reasonable returns. The funds are invested in a diverse portfolio such as the fixed income securities, money market instruments or placements in selected financial institutions.

SEGMENTAL PERFORMANCE

REVENUE FYE 2018 (RM' MILLION)



PBT FYE 2018 (RM' MILLION)



Total capital expenditure incurred in FYE 2018 was RM127.8 million, mainly comprising the following capital allocations:

- the construction of the mini hydro power plant in Indonesia – RM38.8 million
- acquisition of plant and machinery and motor vehicles – RM27.8 million
- acquisition of Damansara Perdana land – RM55.7 million

MANAGEMENT DISCUSSION & ANALYSIS



▲ Package 2, Jalan Tun Razak Dispersal and Upgrading Works

GROUP'S BUSINESS AND OPERATIONS REVIEW

Construction Division

For FYE 2018, the Construction Division successfully replenished approximately RM475 million worth of order book by securing the platinum development of Cyberjaya Hospital in August 2017. This has boosted the Construction Division's order book to RM1.5 billion.

We expect the Construction Division to be the driving force for the Group's revenue on the back of the

current strong order book that will provide earnings visibility for the next two to three years. Although we have a healthy order book, we still have the technical capacity and risk appetite to further participate in more high-value Government infrastructure projects.

With the Government's ongoing review of the mega projects awarded by the previous Government and the subsequent termination of mega projects such as High Speed Rail and Mass Rapid Transit Line 3, we expect the construction industry to be relatively subdued for 2H2018.

However, we foresee that these are short term corrective measures and the outlook for construction sector should improve in 2019. Meanwhile, the Construction Division will focus on the execution of its existing projects. There are still strong infrastructure projects in the pipeline, such as Pan Borneo Highway packages that are yet to be awarded. Our proven and reliable track record in the Government infrastructure projects will position us well to bid for these essential and demanding projects.

Property Development Division

Property development related projects in the Malaysian market over the past 12 months have shown that we are in the burgeoning stages of demand for affordable housing and our Property Division is taking the necessary steps to ensure the long-term sustainability of our business prospects.

The Property Division's performance for FYE 2018 was mainly derived from the following developments:-

- The Vyne, an affordable luxury condominium development in Salak South, Kuala Lumpur;
- Capital City, an integrated commercial development in Tampoi, Johor; and
- PR1MA Phase 2A Apartment and Phase 2B of Maple Residence @ Laman View which comprise 469 units of PR1MA apartment and 194 units of stratified landed terrace homes in Cyberjaya, Selangor respectively.

MANAGEMENT DISCUSSION & ANALYSIS

We currently have approximately 310 acres of undeveloped land with remaining gross development value of RM2.9 billion and unbilled sales of RM100.8 million which can support the Property Division's revenue and earnings growth for the next 10 years.

In FYE 2018, the Property Division launched Phase 2B of Maple Residence, a guarded and gated landed terrace homes and Phase 2A PRIMA apartments in Laman View, Cyberjaya.

For the coming financial year, the Property Division will focus mainly on affordable and landed residential products to be in line with the current market demand. The new launches in the pipeline are:

- Town houses in Taman Putra Perdana, Puchong, Selangor; and
- Town houses and Rumah SelangorKu Apartments in Semenyih, Selangor.

We are confident that with our planned property launches, we will be able to improve on last year's performance and are in a good position to sustain our growth.

In line with the sluggish outlook for the property sector, the Property Division will remain cautious in launching new property developments and strategically focus on the sales of its existing projects and inventories. We will continue to deliver easily accessible, well planned designs with good concepts in strategic locations.

Utility Division

The Utility Division business which principally engaged in the management of four water treatment plants in Indonesia - continue to perform well with a healthy operating cash flow and contribute a stable recurring income platform to the Group. Revenue was marginally lowered by 1% to RM22.8

million (FYE 2017: RM23.1 million) due primarily to foreign exchange translation.

The global and local focus in environmental related solutions are growing rapidly, the new Government is actively promoting renewable energy and has an aggressive goal to increase the share of renewable energy in the country energy mix to 20 percent by 2025.

In Indonesia, the Government is committed on its 35GW energy plan and make power more affordable for the people throughout the country. This gives robust opportunities on power generation whether conventional or renewable energy. Efforts in improving the ease of licensing, providing incentives and adjustment on feed-in-tariff are part of the initiatives of the Government in increasing the deployment of renewable energy in the country.

For water business, both PT. Bintang Hytien Jaya and PT. Dewata Bangun Tirta are pursuing additional uprating to 350 litres/second (l/s) in stages and 300 l/s water supply respectively. The Management is expecting the uprating will be finalized and would contribute positive financial impact in FYE 2020.

Although Indonesia enjoys a great percentage of its fresh water, many of the country water security issues are tied to its rapid development, poor urban infrastructure and stretched institutional capacity. The country has also undergone massive land use changes and deforestation and these have left many areas more vulnerable to extreme events such as monsoon floods.



▲ Package V206, MRT Line 2

MANAGEMENT DISCUSSION & ANALYSIS



▲ Power House and Penstock at Lintau, Indonesia

With millions still lacking fresh and safe water and proper sanitation, the provision is far from adequate. Coupled with weak investment by the Government, this condition poses a dilemma for common people, however, it has given great opportunities for private businesses to supplement the gap for the basic essential needs. Seeing the opportunities in crisis, the Division continues with its optimism to actively explore the potential infrastructure projects in water treatment sector to be developed under the cooperation with the local Government.

The maiden 9MW mini-hydro power project at Kabupaten Tanah Datar, Sumatera Barat implemented via its special purpose vehicle, PT Ikhwan Mega Power, despite the setback attributed by some local social issues, has taken aggressive action

plan to accelerate the construction program to ensure the plant can be commercialised in FYE 2019. Plant installation had commenced in May 2018 and works on interconnection facilities and lines are progressing to meet the project requirement.

For the PT. Hidronusa Rawan Energi (PT HRE) 4MW Cirompang Mekamurti Minihydro Power Project in Kabupaten Garut, Java, Power Purchase Agreement formalization is anticipated from Pembangkit Listrik Negara (PLN) by FYE 2019. To meet the licensing requirements, PT HRE is exploring suitable site in Java islands to increase its capacity to 12MW.

Through a special purpose vehicle, Nusantara Suriamas Sdn Bhd, the 5.9MW a.c. Large Scale Solar PV Project in Kota Marudu, Sabah is still pending an official Solar Power

Purchase Agreement with Sabah Electricity Sdn Bhd. It is anticipated that the new Government policy on renewable energy will help to spark a clear direction for the project in FYE 2019.

OUTLOOK

Overall, the Group has overcome a challenging FYE 2018 and the current difficult environment is expected to persist into the next financial year. In the coming financial year, the earning of the Construction Division is expected to be satisfactory based on the current order book status.

The challenges in the property market are expected to continue as consumers remain cautious. With unbilled sales of RM100.8 million, the Property Division is expected to maintain a satisfactory performance in the coming financial year.

The Utility Division will continue to provide recurrent revenue streams with its existing concessions.

The Group's moving forward strategy shall focus on adopting a prudent cost driven approach in our tender exercises and project execution of our construction jobs as well as in our dynamic planning and market driven pricing strategies for our property development projects.

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”) recognizes the importance of good corporate governance and 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 provides a summary of the Company’s corporate governance practices during the financial year ended 31 May 2018 and is prepared in compliance with Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements. This statement is to be read together with the Corporate Governance Report 2018 of the Company (“CG Report”) which is available on the Company’s website. The CG Report provides the details on how the Company has applied each Practice as set out in the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) during the financial year 2018.

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 leadership, guidance and sets strategic direction.

In discharging its functions and responsibilities, the Board is guided by the Board Charter which outlines the roles, responsibilities, processes and operations of the Board as well as those which the Board may delegate to the Board Committees, CEO and Management. The issues and decision reserved for the Board are also clearly identified in the Board Charter.

The Board Charter is reviewed regularly to ensure they remain consistent with the Board’s objectives, current law and best practices. The Board Charter is made available on the Company’s website at www.gadang.com.my.

Decisions on operational matters and the day-to-day management of the business are delegated to the Managing Director (MD)/Chief Executive Officer (CEO) and Management team. Management are accountable to the Board and are to fulfil this responsibility through the provision of reports, briefings and presentations on a regular basis throughout the year. The Board has also defined the limits to Management’s authority and expects Management to:-

- review the Group’s strategies and their implementation in all key areas of the Group’s activities;
- carry out a comprehensive budgeting process and monitor the Group’s financial performance against the budget; and
- identify opportunities and risks affecting the Group’s business and find ways of dealing with them.

At the senior management level, Gadang has a Group Management Committee (“GMC”) which comprises the MD/CEO and Gadang’s senior management team. The GMC meets every bi-monthly with the MD/CEO to review and monitor the performances of the Group’s operating divisions, review shared initiatives and update the operational policies. The Board also keeps itself abreast of the operational progress and/or issues and the mitigation plans through the tabling of the minutes of the GMC at the quarterly Board meetings.

The Board assumes the following principal roles and responsibilities in discharging its fiduciary and leadership functions:-

- a. *Reviewing and adopting the strategic plans for the Group.*

The Board deliberates all matters relating to the strategic plan with Management. At least one board meeting each year is devoted to discussing and considering the strategic plan, which takes into account the risks and

CORPORATE GOVERNANCE OVERVIEW STATEMENT

opportunities of the Group's activities. Management must seek the Board's approval for any transaction that would have a significant impact on the strategic plan.

- b. *Overseeing the conduct of business and performance of the Company and subsidiaries to ensure they are being properly and appropriately managed.*

To discharge this duty, the Board will give specific and regular attention to:

- monitoring performance against the strategic and business plans;
- monitoring performance against industry's competing companies; and
- enquiring into and following up on areas of poor performance and their root cause.

- c. *Identifying principal risks and ensuring the implementation of appropriate internal control systems to manage the identified risks.*

With the assistance of the Risk Management Committee (RMC), the overall risk profile of the Group and risk mitigation strategies are reviewed on a quarterly basis.

In April 2018, the Board established a separate Board Risk Committee comprising wholly Independent Non-Executive Directors to oversee the Company's risk management framework and policies.

- 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.*

The Board through the Nomination & Remuneration Committee ("NRC"), is responsible in ensuring that there is an orderly succession planning within the Group. The NRC is responsible for reviewing candidates for senior management positions based on their profiles, professional qualification, experience and other core competencies.

During the financial year 2018, the NRC, having conducted all relevant review and assessment, recommended the proposed appointment of a Director for the major subsidiary, which the Board subsequently approved the recommendation.

- 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.*

Internal control systems throughout the Group are evaluated and monitored by the Internal Audit (IA) Department, which reports directly to the Audit Committee ("AC"). IA has the authority to audit any division or subsidiary of the Company and to review projects and systems at any time and report its findings directly to the AC. Significant findings from the audit reports are highlighted and deliberated at the AC meetings. AC reviews the adequacy, effectiveness and integrity of the internal control systems to ensure the implementation of appropriate internal control systems, supported by reports from the IA and the annual review by the external auditor.

- f. *Overseeing the development and implementation of an effective communication policy for the Group.*

The Board has approved an investor relations policy which provides a framework for the Board and the employees to communicate effectively with the Company's shareholders, investors, stakeholders, external parties and the general public.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Role of Chairman, Chief Executive Officer (CEO), Non-Executive Directors and Senior Independent Director

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 primary role of the Non-Executive Directors is to act as a bridge between Management and stakeholders, particularly shareholders. They are to 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.

Mr Boey Tak Kong assumes the role of Senior Independent Non-Executive Director. He acts as a designated contact to whom stakeholders' concerns or queries may be raised, as an alternative to the formal channel of communication with stakeholders. His contact details are as follows:-

Contact No. : 6012-6575641
Email : tkboey22@gmail.com

Company Secretary

The Board is supported by a suitably qualified, experienced and competent Company Secretary who is an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators and is also qualified under 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. The Directors always have access to the advice and services of the Company Secretary especially on the procedural and regulatory requirements. The Company Secretary undertakes continuous professional development to keep herself abreast with the current regulatory changes in laws and relevant regulatory requirements and corporate governance and to be able to provide the relevant advisory role to the Board.

Board Committees

The Board of Directors has also established the following Board Committees to assist and complement the Board in the execution of its responsibilities:

- a) Audit Committee ("AC")
- b) Nomination & Remuneration Committee ("NRC")
- c) Board Risk Committee (*which was established in April 2018*)

Each Board Committee operates within its terms of reference, which clearly define its functions and authority, and the Board receives reports of their proceedings and deliberations with their recommendations. At each Board meeting, the Chairmen of the Committees report to the Board on the key issues deliberated and outcome of the respective Committees meetings. The ultimate responsibility for decision making lies with the Board.

Time Commitment

Directors are required to allocate sufficient time to the Company to discharge their responsibilities effectively. To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, the Directors are required to submit an update on their other directorships in public and private limited companies half yearly. It is also the Board's policy for all Board members to notify the Chairman of the Board before accepting any new directorship appointment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 attendance record of the Directors at Board meetings and Board Committees meetings during the financial year ended 31 May 2018 as set out in the table below:-

Name of Directors	Board meetings	AC meetings	NRC meetings	General Meeting
Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican Chairman of the Board, Independent Non-Executive Director	7/9 (78%)	5/5 (100%)	2/2 (100%)	1/1 (100%)
Tan Sri Dato' Kok Onn Managing Director/Chief Executive Officer	9/9 (100%)	N/A	N/A	1/1 (100%)
Boey Tak Kong Chairman of Audit Committee and Nomination & Remuneration Committee, Independent Non-Executive Director	9/9 (100%)	5/5 (100%)	2/2 (100%)	1/1 (100%)
Kok Pei Ling Executive Director	9/9 (100%)	N/A	N/A	1/1 (100%)
Huang Shi Chin Independent Non-Executive Director (Appointed on 1 August 2017)	7/7 (78%)	4/4 (100%)	2/2 (100%)	1/1 (100%)

AC Audit Committee

NRC Nomination & Remuneration Committee

The dates of Board and board committee meetings as well as annual general meeting (AGM) are scheduled 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.

Code of Conduct and Whistleblowing Policy

The Board has formalised a Code of Conduct ("Code") for its Directors which is incorporated in the Board Charter, to enhance the standard of corporate governance and promote ethical conduct of the Directors and the same is adhered to at all times.

For all its employees, the Group has in place a Group Code of Conduct to ensure a high standard of ethical and professional conduct is upheld in the performance of their duties and responsibilities. The Code of Conduct is disseminated to the Company's employees and as part of its enforcement, employees are required to submit their declarations to adhere and observe to its provisions.

Further, in line with the Company's commitment in achieving and maintaining the highest standards of ethics, honesty, openness and accountability, the Company has also established a Whistleblowing Policy & Procedure ("WPP"). The WPP is aimed to provide an avenue for employees and external parties to raise concerns related to possible malpractices at the earliest opportunity, in an appropriate manner and without fear of reprisal or victimization. The Board has the responsibility to oversee the implementation of the WPP. The Group Managing Director/Chief Executive Officer, Group Chief Financial Officer and the Senior Independent Non-Executive Director are responsible for receiving report(s) made by the employees or external parties for the purpose of whistleblowing in the form as prescribed under the WPP. The concern will then be deliberated with the Board to decide on the appropriate course of action.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

II Board Composition

The Board currently comprises five (5) members. Three (3) of them including the Chairman are Independent Non-Executive Directors. The remaining are the MD/CEO and one (1) Executive Director. The composition of the Board complies with the Main Market Listing Requirements of Bursa Securities which require a minimum of two (2) directors or one-third (1/3) of the Board, whichever is higher, to be independent directors and the MCGG 2017 where the Board has the majority presence of independent directors. The profile of each Director is presented on pages 9 to 11 of this Annual Report.

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.

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

Tenure of Independent Directors

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

Mr Boey Tak Kong who was appointed on 3 December 2007, has served as Independent Non-Executive Director for a cumulative terms of more than nine years. Taking into account the view of the NRC, the Board concurs that Mr Boey Tak Kong continued to demonstrate strong independence in judgement in the discharge of his responsibilities as a director of the Company. He has continued to express his individual viewpoints, debated issues and objectivity scrutinised and challenged management. He has sought clarification and amplification as he deemed required, including through direct access to the Group's employees.

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

After taking into account all these factors, the Board has recommended that the approval of the shareholders be sought to retain him as Independent Director of the Company.

Board diversity policy

The Board recognizes diversity in the boardroom as an essential component of a good corporate governance. The Board's aim is to have a broad range of approaches, backgrounds, skills and experience represented on the Board and to make appointments on merit, and against objective criteria, with due regard given to the benefits of diversity on the Board, including gender, age and ethnicity. The Board currently has one female Director out of five Directors following the appointment of Ms Kok Pei Ling as an Executive Director on 2 January 2013. Female representation as a percentage of the full Board is 20%. The Company will increase female representation on the Board if appropriate candidates are available when Board vacancies arise.

The Board has in place its Diversity Policy for the Company which is incorporated in the Terms of Reference of the Nomination & Remuneration Committee and is available on the Company's website at www.gadang.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Nomination & Remuneration Committee

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

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

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

During financial year 2018, the activities of the NRC included the following:-

- (i) Reviewed the benefits and terms and conditions of employment of the Executive Directors and senior management for the calendar year 2018.
- (ii) Reviewed the annual salary increments and bonuses of the Executive Directors and senior management of the Group.
- (iii) Evaluated and determined the training needs of the Directors.
- (iv) Reviewed and considered the new candidate to the Board of the Subsidiary Company.
- (v) Reviewed the current composition and board size to ensure that the Board continues to have the right balance of skills, knowledge, experience and diversity.
- (vi) Reviewed and implemented a new remuneration framework for Non-Executive Directors.
- (vii) Conducted annual assessment of individual, peer and Board assessment.
- (viii) Conducted annual assessment of independence status of Independent Non-Executive Directors.
- (ix) Reviewed and made recommendations to the Board on the re-election of Directors at the 25th AGM.

Annual assessment

The Board through its NRC, reviews annually, the effectiveness of the Board and Board Committees as well as the performance of individual directors. The evaluation involves individual Directors and Committee members completing separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered. They also undertook a self-review and peer review in which they assessed their fellow Directors’ performance. The results were compiled and analysed by the Company Secretary and presented at board meeting. The responses from the evaluation process indicate that the Board is well balanced, the size of the Board is adequate for the Group and the Board has the relevant knowledge relating to the Group’s business. The Directors believe board meetings are well organised, efficiently run and all relevant aspects of the Company’s businesses are dealt with thoroughly by the Board and its various committees which have all discharged their responsibilities adequately. The individual Directors had also met the standards expected of them, with each making strong contributions, generally and through the knowledge derived from their specialised areas of expertise, skills and experience.

Continuing Development Programme for Directors

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

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

The details of the seminars and training programmes attended by the Directors during the financial year ended 31 May 2018 are set out below:-

1.	Tan Sri Dato' Seri Dr Mohamed Ismail Bin Merican <ul style="list-style-type: none"> • Investor Relations & Impact of ESG • CG Breakfast Series entitled: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World • Case Study Workshop for Independent Directors – “Rethinking – Independent Directors: A New Frontier” 	9 Aug 2017 13 Oct 2017 16 Oct 2017
2.	Tan Sri Dato' Kok Onn <ul style="list-style-type: none"> • Sustainability Statement – The Way Forward • The Malaysian Code on Corporate Governance 2017 – Key changes & impact to the Board & Management and Overview of Key Changes in the Companies Act 2016 – How Board & Management are impacted • Investor Relations & Impact of ESG • Sustainability Report – Setting The Value Creation Agenda • Boardroom Dynamics for High Performance Organisation – Shaping Performance 	21 June 2017 25 July 2017 9 Aug 2017 20 April 2018 15 May 2018
3.	Boey Tak Kong <ul style="list-style-type: none"> • Company Law Conference 2017 • Responsible Investment Forum • Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability • The Malaysian Code on Corporate Governance 2017 – Key changes & impact to the Board & Management and Overview of Key Changes in the Companies Act 2016 – How Board & Management are impacted • An Overview of Industry 4.0 Transformation Accelerated Action Plan • Face The Media – Make It or Break It/Media Communication • Sustainability Reporting • MCG Dialogue With Securities Commission • CG Breakfast Series entitled: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World • Case Study Workshop for Independent Directors – “Rethinking – Independent Directors: A New Frontier” • Effective Internal Audit Function for Audit Committee Workshop • Enhance Quality of Management Discussion & Analysis for Chief Executive Officers & Chief Financial Officers of Listed Issuers • Budget 2018 & Tax Audits and Controversies Seminar • Integrating an Innovation Mindset with Effective Governance • MIA – SC Workshop on Malaysian Code on Corporate Governance • Cloud Day – Next Is Now 	7 Jun 2017 14 July 2017 17 July 2017 25 July 2017 27 July 2017 28 Aug 2017 5 Oct 2017 12 Oct 2017 13 Oct 2017 16 Oct 2017 20 Oct 2017 23 Oct 2017 2 Nov 2017 7 Nov 2017 17 Nov 2017 8 Mar 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT

	<ul style="list-style-type: none"> • Breakfast Talk – Malaysian Code on Corporate Governance – MCCG Reporting & CG Guide • Audit Committee Conference 2018 – Internal Auditing in the Age of Disruption • AI and Accountants: Armageddon or Advancement • Artificial Intelligence and The Future of Accountancy • GST Abolishment 	15 Mar 2018 27 Mar 2018 9 April 2018 10 April 2018 23 May 2018
4.	Kok Pei Ling <ul style="list-style-type: none"> • Sustainability Statement – The Way Forward • The Malaysian Code on Corporate Governance 2017 – Key changes & impact to the Board & Management and Overview of Key Changes in the Companies Act 2016 – How Board & Management are impacted • Investor Relations & Impact of ESG • Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers • Advocacy Sessions to Enhance Quality of MD&A for CEOs and CFOs • Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide • Annual Report Disclosure Standards – Navigating New Compliance Roadmap • Sustainability Report – Setting The Value Creation Agenda • Boardroom Dynamics for High Performance Organisation – Shaping Performance 	21 June 2017 25 July 2017 9 Aug 2017 27 Sept 2017 17 Oct 2017 1 Mar 2018 29 Mar 2018 20 April 2018 15 May 2018
5.	Huang Shi Chin <ul style="list-style-type: none"> • Investor Relations & Impact of ESG • Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers • Annual Report Disclosure Standards – Navigating New Compliance Roadmap • Sustainability Report – Setting The Value Creation Agenda 	9 Aug 2017 27 Sept 2017 29 Mar 2018 20 April 2018

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The aggregate Directors' Remuneration paid to the Directors by the Company for the financial year ended 31 May 2018 is as follows:-

Directors	Directors' Fees ⁽¹⁾ RM	Salary & other emoluments ⁽²⁾ RM	Benefits-in-kind RM	Total RM
Executive Director				
Tan Sri Dato' Kok Onn	-	1,659,023	74,538	1,733,561
Kok Pei Ling	-	685,900	35,988	721,888
Non-Executive Directors				
Tan Sri Dato' Seri Dr. Mohamed Ismail Bin Merican	100,000	49,000	-	149,000
Adam Bin Bachek ⁽³⁾	13,000	-	-	13,000
Boey Tak Kong	80,000	34,000	-	114,000
Huang Shi Chin ⁽⁴⁾	50,000	14,000	-	64,000
Total	243,000	2,441,923	110,526	2,795,449

⁽¹⁾ Approval obtained as a lump sum at the AGM for the financial year ended 31 May 2018.

⁽²⁾ Include annual leave passage and meeting allowance for Non-Executive Directors only.

⁽³⁾ Resigned on 1 August 2017.

⁽⁴⁾ Appointed on 1 August 2017.

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

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I Audit Committee

The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting and to ensure that the financial statements of the Company give a true and fair view of the state of affairs of the Company.

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

The current AC comprises three (3) members, all of whom are independent non-executive directors. The AC has incorporated in its terms of reference a requirement for a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC. The terms of reference of the AC are available on the Company's website.

The membership of the AC, meeting & attendance, training, summary of work and summary of work of the internal audit function are set out in the Audit Committee Report on pages 38 to 42 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 times a year to discuss their audit plan, audit findings and the Company's financial statements. At least two 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 may also request the Chief Financial Officer and the finance personnel (who have substantial contact with the external audit team) to perform the annual assessment of the external auditors. 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 has the overall responsibility for maintaining a sound system of internal controls and risk management to safeguard shareholders' investment and the Company's assets.

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, the 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 Risk Management Committee 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 Risk Management Committee's report is tabled to the Board for review and evaluation on a quarterly basis.

The Board had in September 2017, established its own 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 system and internal control so as to provide reasonable assurance that such system continue to operate satisfactorily and effectively. It is the responsibility of the Internal Audit Department ("IAD") to provide the AC with independent and objective report on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements. The internal audit reports are presented together with the Management's response and proposed action plans to the AC quarterly.

The 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 on pages 43 to 50 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

I Directors' Responsibility for Preparing the Annual Audited Financial Statements

The Directors are required by the Companies Act, 2016 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company 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;
- followed all applicable approved accounting standards; 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 for keeping accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which enable 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.

II 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.

III Conduct of General Meetings

The AGM is the principal forum of open dialogue with shareholders. The notice and agenda of AGM together with Forms of Proxy are given to shareholders not less than 28 days before the AGM, which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint a proxy to attend and vote on their behalf. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

At the AGM, the Chief Financial Officer will conduct a brief presentation on the Group's performance for the year and its business outlook. Shareholders are also encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Answers and clarifications, where appropriate, are provided by the Directors and Senior Management of the Company.

The Company's External Auditors are also required to attend each AGM and be available to answer questions about the conduct of the audit, and the preparation and content of the auditor's report.

Shareholders, if unable to attend the meeting, are encouraged to vote on the motions proposed by appointing a proxy. The proxy form included with a notice of meeting will clearly explain how the proxy form is to be completed and submitted.

The Corporate Governance Overview Statement is made in accordance with the resolution of the Board dated 13 September 2018.

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

AUDIT COMMITTEE REPORT

A. MEMBERSHIP

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

Boey Tak Kong – Chairman

Tan Sri Dato’ Seri Dr. Mohamed Ismail Bin Merican

Huang Shi Chin

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

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

B. TERMS OF REFERENCE

The Terms of Reference (“TOR”) 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.

Pursuant to Practice 8.2 of the Malaysian Code on Corporate Governance (“MCCG”) 2017, the Board, at its meeting held on 25 July 2018, approved the recommendation made by the Audit Committee to include in the requirement for any former key audit partner to observe a 2-year cooling-off period before being appointed as a member of the AC.

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 attendance of each committee member are as follows:-

	No. of Meetings Attended	Percentage (%)
Boey Tak Kong	5 out of 5	100
Tan Sri Dato’ Seri Dr. Mohamed Ismail Bin Merican	5 out of 5	100
Huang Shi Chin ¹	4 out of 4	100

Note:-

¹ appointed as member of AC on 1 August 2017.

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.

AUDIT COMMITTEE REPORT

The AC meetings were always attended by the Chief Financial Officer, Group General Manager Finance, Group Accountant, Head of Group Internal Audit, and often by the Chief Executive Officer. Other members of senior management also joined the meetings for specific topics upon request. The external auditors attended three (3) of the AC regular meetings and had private sessions with the AC twice, in the absence of Management.

Subsequent to the AC meetings, the AC Chairman would brief the Board on matters discussed and deliberated at the AC meetings. The AC Chairman also conveyed to the Board, matters of significant concern as and when raised by Management, Internal Auditors and External Auditors.

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 32 to 33 of the Company's Annual Report 2018.

E. SUMMARY OF WORK

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

The work performed by the AC during the financial year 2018 included:-

1. Financial Reporting

The following matters were reviewed and discussed by the AC before being recommended and presented to the Board for approval:-

- a) The Company's quarterly financial statements including the draft announcements pertaining thereto for 4th quarter 2017, 1st quarter 2018, 2nd quarter 2018 and 3rd quarter 2018 were deliberated at the AC meetings held on 26 July 2017, 25 October 2017, 24 January 2018 and 23 April 2018 respectively.
- b) The audited financial statements of the Company and the Group for the year ended 31 May 2017 were deliberated at AC meeting held on 11 September 2017.

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 2017 Annual Report were deliberated at its meeting held on 11 September 2017 before their release to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

3. External Audit

- a. On 26 July 2017 and 11 September 2017, the AC reviewed the findings of the External Auditors' reports for the financial year ended 31 May 2017, particularly the issues raised on impairment of assets and provision cost on construction projects 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. On 26 July 2017 and 11 September 2017, the AC had two private sessions with the representatives of Messrs Crowe Horwath (now known as Crowe Malaysia) 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.
- c. The AC undertook an annual assessment on the performance and effectiveness of the External Auditors for the financial year ended 31 May 2017, 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 Messrs Crowe Horwath (now known as Crowe Malaysia) be reappointed for the ensuing financial year of 31 May 2018 at its meeting held on 26 July 2017.
- d. On 23 April 2018, the AC discussed with the external auditors, the audit plan of the Company and of the Group for year 2018 (inclusive of audit approach and scope of work) prior to the commencement of the annual audit.

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:-

	2018	
	Group RM	Company RM
Statutory audit fees	409,000	85,000
Statutory audit fees under provision for prior year	43,600	16,600
Non-audit fees (for Taxation Affairs)	243,150	5,300
Total	695,750	106,900

AUDIT COMMITTEE REPORT

4. Internal Audit Function

- a. On 26 July 2017, 24 January 2018 and 23 April 2018, the AC reviewed the internal audit reports, auditor's recommendations and Management's responses to each recommendation.
- b. On 25 October 2017, the AC reviewed the 2018 to 2020 internal audit plan to ensure adequate audit scope and coverage of the key risks areas of business operations of the Group are carried out.
- c. The AC also reviewed in every 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 11 September 2017, 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.

6. Site visits

The members of the AC visit operations within the Group to develop their knowledge of business operations and to gain first hand insight to the control environment. During the year, the Chairman of AC visited the Group's Lintau mini hydro power project in Sumatera Barat, Indonesia to assess the project execution status and the overall project challenges.

F. SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Board obtains adequate assurance on the effectiveness of system of internal control in the Group, through a programme of regular reviews and appraisals conducted by the internal auditors, who report directly to the AC. The Board in September 2017, established an in-house internal audit function for the Group. Previously, the Group's internal audit function was outsourced to KPMG Management & Risk Consulting Sdn Bhd. The new Internal Audit Department comprises 3 staff, 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 19 years of internal audit and financial management experience, covering insurance industry, hospitality sector and FMCG business. Mr. Alan Tham holds a Bachelor of Commerce (Major in Accounting) and is a Certified Information System Auditor (CISA).

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

AUDIT COMMITTEE REPORT

The internal audit adopts the 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), inclusive 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, the Internal Audit Department undertook the following audit activities:-

- (a) prepared the internal audit plan 2018/2020, which was reviewed and approved by the Audit Committee, and updated where necessary.
- (b) completed a total of 5 audit engagements (November 2017 to May 2018) covering the following processes:
 - i) Contract management to pay covering the following audit scope:
 - Contract management & register;
 - Contract review & sign-off;
 - "Contract to pay" processes and reporting; and
 - Litigation process, documentation and reporting.
 - ii) Petty cash management to pay covering the following audit scope:
 - Group accounting policies;
 - Cash accountability and segregation of duty; and
 - Type of expenses applicable to petty and authority matrix.
 - iii) Purchasing cycle covering the following audit scope:
 - Purchasing activities from July 2017 to January 2018; and
 - Group accounting policies and ISO procedures.
 - iv) Internal control framework self-assessment
 - v) IT system and infrastructure
- (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 RM304,939 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 2017”) 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’ investments and the Group’s assets. Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the directors of public listed companies are required to include a Statement on Risk Management and Internal Control in the Annual report on the state of risk management and internal controls framework during the year under review.

BOARD’S RESPONSIBILITY

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

The Board affirms its overall responsibility and commitment to maintaining an effective risk management framework and internal control to safeguard shareholders’ investments and the Group’s assets, in accordance with Principle B of the MCCG 2017. 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, analyzing, 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.

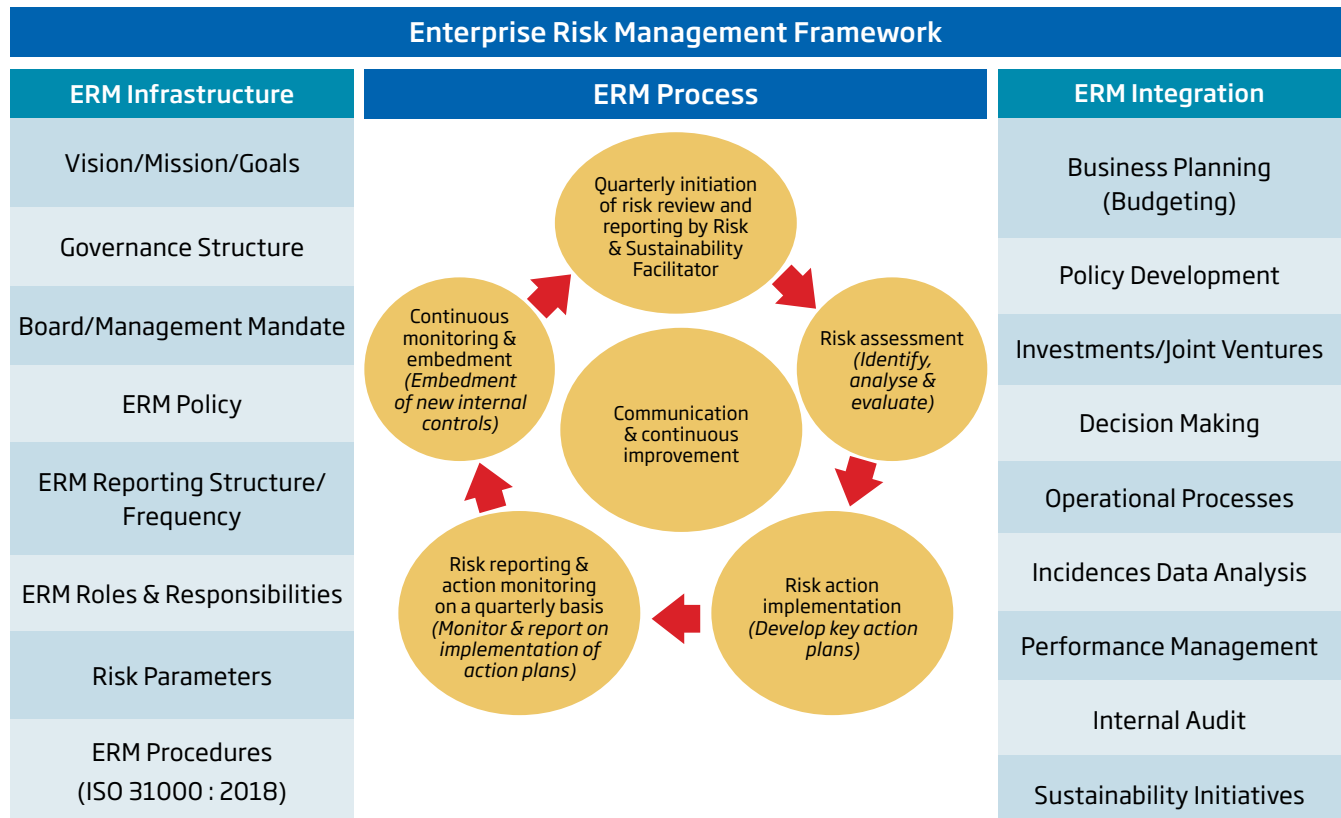
The Board has received assurance from the Group Managing Director cum Chief Executive Officer and Chief Financial Officer that the Group’s risk management and internal control system are operating adequately and effectively in all material aspects, based on the risk management and internal control system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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL

1. Risk management

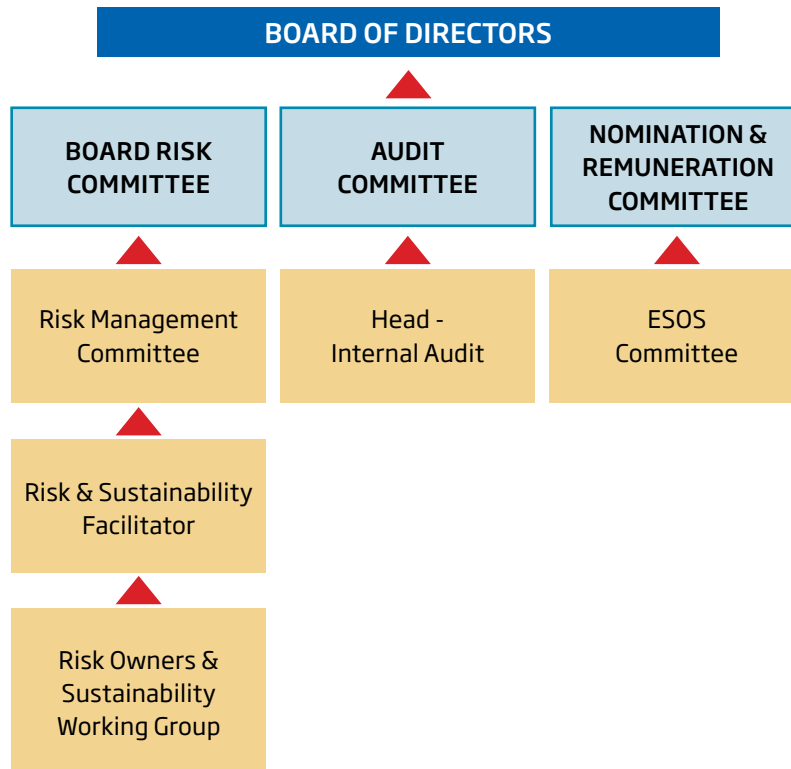
The Company’s Enterprise Risk Management (“ERM”) framework is illustrated below.



The ERM framework is benchmarked against the ISO 31000:2018 Risk Management – Guidelines and is designed to embed ERM into key activities, initiatives and processes of the Group. Subsequent to the Step - Up 9.3 Practice in the MCCG 2017, the Board has established a Board Risk Committee (“BRC”) where all the BRC members are independent directors.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

During the financial year, the Company adopted sustainability reporting by integrating Economic, Environmental and Social (“EES”) driven components into the Company’s risk framework to reduce exposure to both financial and non-financial sustainability-related risks and at the same time, improve productivity and optimize operating cost. Please refer to the Sustainability Statement on page 53 for more details. In line with the said risk management framework, further enhancements to the Company’s governance structure is illustrated below.



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 present 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, safety and health, human capital and regulatory compliance; and is mainly decentralized at the business unit level and guided by standard operating policy and procedures. Operational risks that cut across the organization including those relating to treasury management, transfer pricing and group sustainability are coordinated centrally.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

Project completion

Construction projects which were facing completion risk were highlighted to the Board, with root causes identified, the impacts and mitigating action plans. Additional resources in terms of manpower and machinery were mobilised to the projects to mitigate delay including engagement with clients and/or contractors to accelerate works due to unforeseen delays. The Executive Directors play a more proactive role and closely monitor the construction work progress.

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, dust and noise pollution is inevitable. Incidents and accidents at site may still occur due to human error. To ensure incidents are minimized, 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 and monitoring 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.

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 and regulations by attending seminars, conferences and training programmes organized 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.

b. New investments

On ad-hoc basis, the Board reviews the investment feasibility study, related risk impact and assessment on proposed investments that are presented by the Heads of Divisions. During the financial year, the Board evaluated and approved the proposals to acquire a piece of residential land in Gelang Patah, Johor and to acquire the remaining 49% equity interest in Datapuri Sdn Bhd from Exclusive Acres Sdn Bhd.

c. Cyber & IT security risk

This risk could result in unauthorized 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, during the financial year, the Company's IT department has enhanced the IT infrastructure and firewall security. The offsite disaster recovery facility was also upgraded. Illegal downloads of software were prohibited and monitored by the IT department. The IT Policy & Procedure and Disaster Recovery Plan were reviewed and revised during the year.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

d. Economic risk

The slowdown in the local economy coupled with changes in the government policies may affect the Construction Division's order book replenishment efforts. Property market is expected to remain sluggish, amid weak market condition and poor consumer sentiments. The general market momentum of the property segment remain challenging.

To mitigate this risk, the Construction Division has to manage the present projects prudently and to optimize resource usage to boost revenue and profit. Besides tendering for federal government projects, the division will also be exploring state government projects and tap on multinational companies' investment.

The Property Division will be switching its product focus to landed properties and/or affordable housing where demand is still resilient. It will also develop more innovative and aggressive marketing strategies to sell the completed inventory stock.

e. Sustainability

The Group has in place a sustainability governance structure as described in the Sustainability Statement. Please refer to the Sustainability Statement for more details on sustainability initiatives and implementation plans.

2. Audits

a. Internal audit

Upon completion of the last internal audit report by the outsourced internal auditor i.e. KPMG Management & Risk Consulting Sdn Bhd ("KPMG") in the 1st quarter of the financial year, the Company had since established its own in-house Group Internal Audit Department in September 2017. 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 yearly audit plan in October 2017.

The internal audit planning and engagement are performed in accordance with the COSO Internal Control – Integrated Framework and the IIA's International Professional Practices Framework (IPPF).

The Internal Auditors carried out regular reviews on operational units to assess the effectiveness of internal controls and to monitor compliance with established policies and procedures. They present their audit findings on the effectiveness of internal controls, significant risks, non-compliance and weaknesses observed with recommendations for remedial action to the operating management and thereafter to the Audit Committee. They also follow up on the management corrective action plans in response to the internal audit findings and report the progress of implementation to the Audit Committee.

The Audit Committee deliberated on the audit issues and actions taken by management, with the quarterly Audit Committee minutes duly extended to the Board for notation. For more details of the internal audit assignments carried out during the year, please refer to the Audit Committee Report under pages 41 to 42 of this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

b. External audit

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

3. Organization 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, organizational 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 and Remuneration Committee
- Board Risk Committee
- Risk Management Committee
- Group Management Committee
- Procurement Committee
- Disciplinary Committee
- Employee Share Option Scheme ("ESOS") Committee

4. Nomination & Remuneration Committee

The Nomination & Remuneration Committee ("NRC") assists the Board to review and recommend appropriate remuneration policies for Directors and senior management to ensure that their remuneration commensurate with their performance. The NRC also reviews and recommends candidates to the Board and evaluates the performance of Directors (including Board Committees) on an annual basis.

5. Management meetings

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

7. Planning, monitoring and reporting

- a) An annual business planning and budgeting policy is in place, requiring all business divisions to prepare business plans and budgets for the forthcoming year. The Heads of Divisions present the business plans and budgets to the Board before the start of a new financial year. There is an interactive dialogue between the Board and the Heads of Divisions and amongst others, the risks, challenges and assumptions are deliberated upon before the Board approves the business plans and budgets for implementation.
- b) Key performance indicators are prepared and established by each Operating Divisions which are aligned to the strategic business objectives.
- c) On a quarterly basis, the Group Finance 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 - Group Strategy and Monitoring tracks the progress of Key Performance Indicators (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 Department reviews and updates the profit forecast for the year, in consultation with Heads of Divisions and/or project leaders.

8. Policies and procedures

Policies and procedures are formalized to strengthen controls for financial management and operations. They serve as an operating guide to employees in their day-to-day work administration. These policies and procedures are reviewed annually and updates, if any, are communicated promptly to the employees.

9. Financial reporting

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

10. Whistle Blowing Policy

The Company has an established Whistle Blowing procedures which is made available in the Company's website. It is intended to assist individual employee to report internally and at a high level, information which the individual believes to involve malpractice or impropriety.

REVIEW OF ADEQUACY AND EFFECTIVENESS

The Board is satisfied that the risk management and internal control system as outlined above 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' investment, the interests of customers, regulators, employees and other stakeholders, and the Group's assets.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 (“MIA”).

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 and Practices 9.1 and 9.2 of the Malaysian Code on Corporate Governance 2017 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 13 September 2018.

ADDITIONAL COMPLIANCE INFORMATION

• Material Contracts

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

• Recurrent Related Party Transactions of a Revenue or Trading Nature

At the last Annual General Meeting held on 8 November 2017, the Company had obtained a mandate from its shareholders to allow the Company and/or its subsidiaries ("Gadang Group") to enter into recurrent related party transactions of a revenue or trading nature and provision of financial assistance ("Recurrent Transactions") with related parties.

In accordance with Paragraph 10.09(2)(b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended 31 May 2018 pursuant to the said shareholders' mandate are as follows:-

Name of Related Party	Relationship	Nature of Transactions	The Company	Aggregate Value RM'000
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	9,076
Datapuri Sdn Bhd ("DPSB") ⁽¹⁾	DPSB is a 51% owned subsidiary of Gadang and 49% owned by Exclusive Acres Sdn Bhd ("EASB"). Mr Liew Swee Kong who is a director and shareholder of EASB is the nephew of TSDKO.	<ul style="list-style-type: none"> Provision of mechanical & engineering subcontract works by DPSB Provision of management services by Gadang Financial assistance 	Gadang Group	3,436 ⁽²⁾
			Gadang	206 ⁽²⁾
			Gadang	4,100 ⁽²⁾

Notes: (1) DPSB became a wholly-owned subsidiary of the Company on 16 April 2018. Therefore, it is no longer a related party at the end of the financial year.

(2) Aggregate value as at April 2018

• 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 2018 with information as follows:-

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

	As at 31 May 2018	
	Grand Total	Director
Total number of options granted	100,481,700	7,287,800
Total number of options exercised	(15,104,900)	(1,376,900)
Total number of options lapsed	(3,070,800)	(1,035,000)
Total options outstanding	82,306,000	4,875,900

ADDITIONAL COMPLIANCE INFORMATION

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

Granted to Directors & Senior Management	During the financial year ended 31 May 2018	Since commencement of the ESOS on 6 December 2016
Aggregate maximum allocation in percentage	50.0%	50.0%
Actual percentage granted	10.9%	36.6%

c) The options applicable to Non-Executive Directors in respect of the financial year ended 31 May 2018

Name of Non-Executive Director	Granted	Exercised	Balance
Boey Tak Kong	931,500	186,300	745,200

SUSTAINABILITY STATEMENT

About This Statement

Gadang Holdings Berhad (“Gadang”) endeavours to incorporate sustainability in our operations as part of our organisation’s mission. In reference to the Main Market Listing Requirements on sustainability reporting by Bursa Malaysia Securities Berhad (“Bursa Malaysia”), this inaugural Sustainability Statement (“report” or “statement”) showcases our initiatives, continuous development and commitment to operate sustainably and report on our Economic, Environmental and Social (“EES”) performance and progress. As this is our first Sustainability Statement, a heightened awareness within the organisation is reflected in the importance of sustainable development for our business and long-term value creation for our stakeholders.

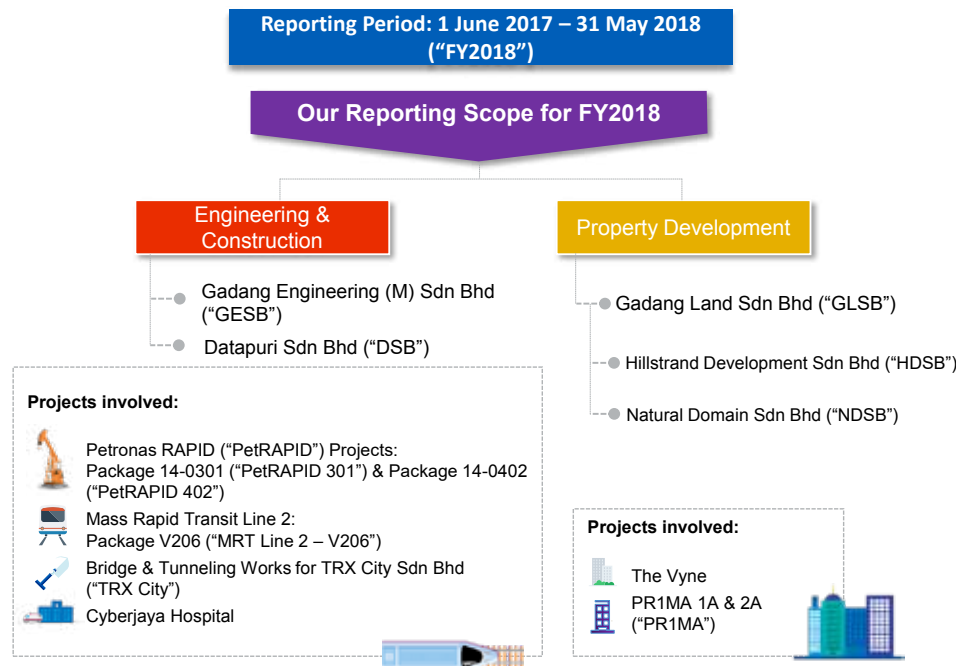


Diagram 1- Our Entities in the Reporting Scope

For this reporting year, we engaged an external consultant to facilitate the preparation of this statement and strengthen our reporting approach from business and sustainability perspectives. In preparing and enhancing this report, we referred to the Sustainability Reporting Guidelines and Toolkits issued by Bursa Malaysia and Global Reporting Initiative (“GRI”) Standards. We also identified our roles, actions and contribution towards the United Nations Sustainable Development Goals (“SDGs”) and the 11th Malaysia Plan (“11MP”).

The reporting scope for FY2018 encompasses Gadang and our active subsidiaries with primary business operations located in Malaysia, i.e. Engineering and Construction, and Property Development business segments – collectively referred to as the “Company” or “Group”. These entities generate 96% of the Company’s overall revenue.

A Context For Change

To advance through the creation of sustainable values for our stakeholders, it is imperative that we continue to evolve in a rapidly changing, hyper-connected world. Our ability to innovate and deliver value in new ways keeps us relevant in meeting the changing needs of our clients and other stakeholders as a dynamic and forward-thinking business. Local trends, such as population growth and increasing urbanisation continue to provide an attractive environment which will drive construction and investment activities for the property development and infrastructure sector. Along with national developments, we have seen an emergence of stakeholders, especially investors, who are increasingly sensitive to social and environmental impacts beyond financial returns to safeguard their investments and retain value.

SUSTAINABILITY STATEMENT

We anticipate various uncertainties which shall lead to changes in the current risk landscape due to various factors, ranging from evolving regulatory realms and fluctuating economic conditions, to the rise of digital technological advancements. Integrating sustainability into our core business has enabled us to strengthen our abilities and identify new growth opportunities while reducing exposure to EES risks, allowing us to chart various sustainability milestones in our journey as summarised in **Diagram 2**.

Our Sustainability Journey

	1990 – 2000	2001 – 2006	2007 – 2012	2013 – Present	Moving Forward
Group	<p>1993 – Incorporated as Lai Sing Holdings Berhad</p> <p>1994 – Listed on the Second Board of Bursa Malaysia (RM19.9 million)</p> <p>1996 – Gadang Land Sdn Bhd was incorporated</p> <p>1997 – Datapuri Sdn Bhd was incorporated</p> <p>1997 – Renamed as Gadang Holdings Berhad</p>	<p>2002 – Issued loan stock (RM14.61 million). Completed rights issue & increased share capital (RM 49.75 million). Implemented its first ESOS.</p> <p>2005 – Ventured into Indonesia for maiden water supply concession in Singapore-based Asian Utilities Pte Ltd. Completed a private placement of RM 9.6 million & raised issued share capital (RM106.014 million)</p>	<p>2007 – Completed private placement (RM10.6 million) & raised issued share capital (RM116.614 million). Transferred to Main Market.</p> <p>2010 – Completed rights issue & increased issued share capital (RM196.69 million)</p>	<p>2014 – Completed private placement (RM19.669 million) & raised issued share capital (RM216.369 million)</p> <p>2016 – Completed a private placement (RM23.511 million) & raised issued share capital (RM258.623 million). Completed a share split & bonus issue, & raised issued share capital (RM323.279 million). Implemented its second ESOS.</p> <p>2018 – Issued share capital increased to RM338.380 million due to exercise of ESOS</p>	<p>Encourage & further develop innovation, productivity & operational excellence</p> <p>Partner with key government agencies to jointly elevate industry standards in relation to sustainability</p>
Engineering & Construction	<p>2000 – Involved in earthworks, building construction & infrastructure projects (up to RM50 million each)</p>	<p>2000 – Started to take on building construction & infrastructure projects with contract values above RM50 million each</p> <p>2001 – Ventured into telecommunication business through Datapuri Sdn Bhd</p> <p>2006 – Secured a building construction works for Mines Golf Resort Berhad (RM164 million)</p>	<p>2007 – Secured the Projek Lebuhraya Kemuning Shah Alam (RM278 million)</p> <p>2008 – Secured the Rehabilitation Hospital project in Cheras via a joint venture (RM341 million)</p> <p>2010 – Secured the Earthworks project for Low Cost Carrier Terminal 2 via a joint venture (RM291 million)</p> <p>2011 – Secured Shah Alam Hospital project (RM410 million)</p> <p>2012 – Secured Phase 1 site preparation works for PetRAPID (RM312 million). Secured the KVMRT Line 1 – Package V2 project (RM863 million)</p>	<p>2014 – Secured Phase 2 site preparation works for PetRAPID – Package 18C (RM350 million)</p> <p>2015 – Secured the Utilities, Interconnecting, Offsite (“UIO”) Facilities works for PetRAPID 301 & 402 (RM375 million & RM185 million)</p> <p>2017 – Secured Package V206 for MRT Line 2 (RM952 million). Secured the Execution & Completion of Works for TRX City, Sdn Bhd, via a joint venture (RM327 million). Secured the Cyberjaya Hospital project (RM448 million)</p>	<p>Use of Building Information Modelling (“BIM”) to increase productivity, avoid rework & reduce conflicts & changes during construction</p> <p>Use of Industrialised Building System (“IBS”) to reduce labour, waste & site materials</p> <p>Continue improving health, safety & environment at project sites, work quality & efficiency of construction work processes</p> <p>Adopt a strategic & holistic approach to deliver highly complex projects & maintain competitiveness</p>
Property Development	<p>1996 – Maiden property development project comprising of factories in Shah Alam</p> <p>1999 – Launched first residential development project comprising of low & medium cost apartments (RM82 million)</p>	<p>2004 – Launched Sri Aman Heights & Aman Court in Sungai Buloh & houses in Segambut (RM112 million)</p> <p>2006 – 2007 – Launched new property projects (RM200 million) including residential apartments, shop offices & terrace houses</p>	<p>2011 – Launched Jentayu Residensi at Tampoi, commercial & residential development (RM178 million)</p>	<p>2013 – 2014 – Launched the Vyne condominiums, Phase 1 & 2 (RM390 million)</p> <p>2015 – Launched PR1MA Phase 1A – apartments & Phase 1B – double-storey terrace houses (RM180 million)</p> <p>2017 – Launched PR1MA Phase 2A – apartments & Phase 2B – double-storey terrace houses (RM350 million)</p>	<p>Continue developing affordable housing & adopt responsible environmental measures</p>

Diagram 2 - Sustainability Journey

SUSTAINABILITY STATEMENT

Recognising the implications, these emerging trends and changes in risks have an effect on our ability to create long-term value. Hence, we are taking a strategic and holistic approach to building our momentum and delivering complex projects while keeping a close eye on the bottom-line to navigate through our country's competitive landscape.

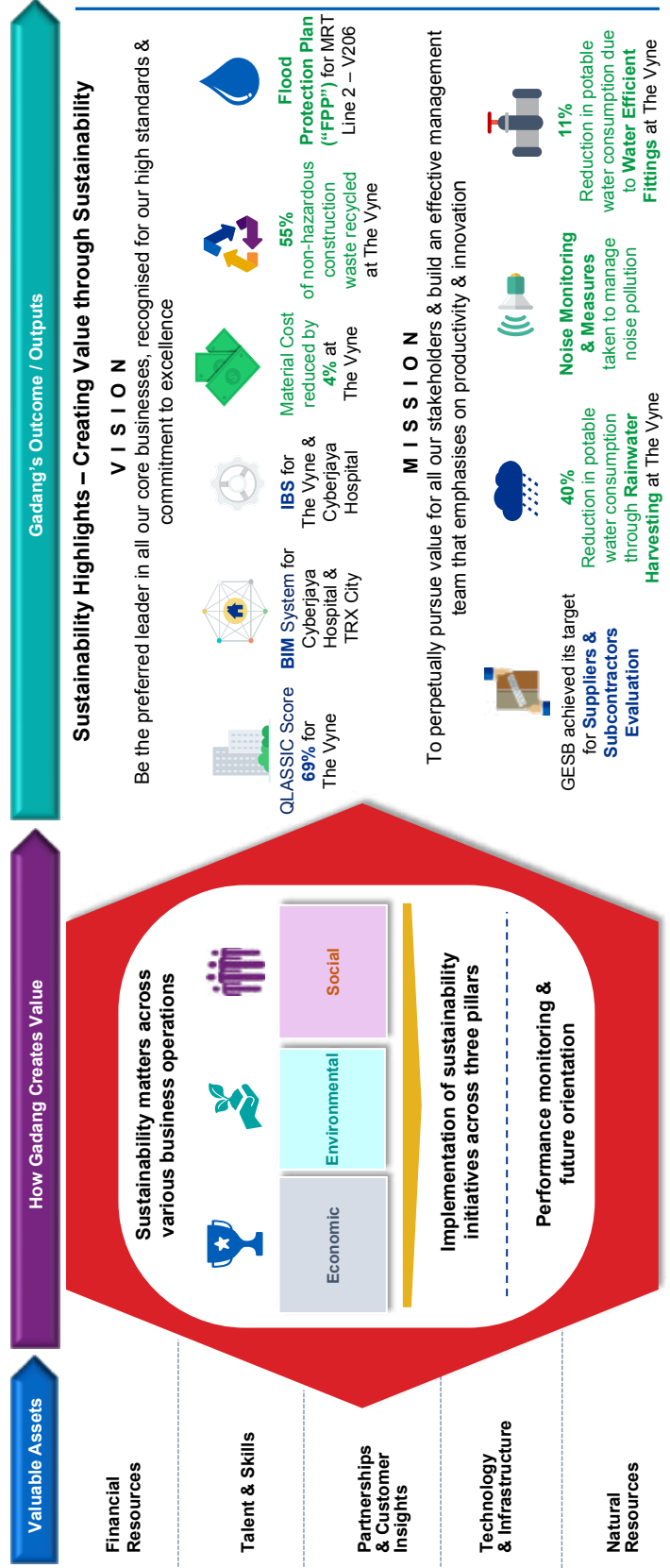


Diagram 3- How We Create Value

SUSTAINABILITY STATEMENT

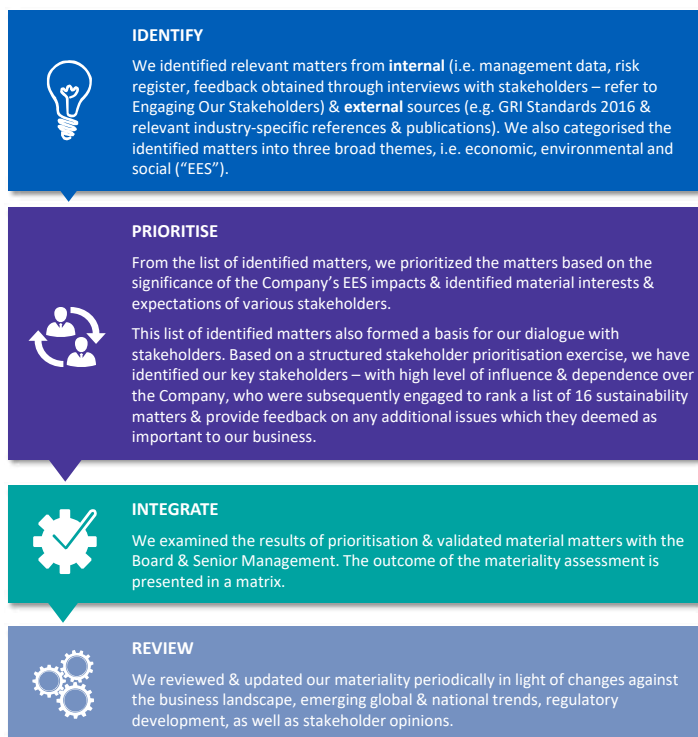
Our Sustainability Governance

Strong governance structures and clear lines of accountability ensure sustainability is embedded into our business strategies and operations. Our commitment to sustainability starts at Board level, managed and implemented through our robust sustainability governance framework.



Diagram 4- Sustainability Governance Structure

Our Material Issues – Managing What Matters



In 2018, we adopted a comprehensive materiality assessment process to identify relevant sustainability matters which have the most impact on our ability to create long-term value. The identification and realisation of the impact of material sustainability matters on our business and stakeholders help us to position ourselves by capitalising on the opportunities to deliver sustainable value for all stakeholders.

Recognising the disconnection between sustainability and risk management can limit our ability to adapt in a fast-changing business environment and result in strategic and operational risks, we complement our risk management framework in the identification and assessment of sustainability risks and opportunities. The material aspects identified as most relevant to the Company and our stakeholders through a materiality assessment form the basis for our sustainability management and reporting.

Diagram 5- Materiality Assessment Process, Guided by Bursa Malaysia's Sustainability Reporting Guide & Toolkits

SUSTAINABILITY STATEMENT

Engaging Our Stakeholders

We place great importance in dealing with and conducting dialogues with our stakeholders in a transparent manner. Our stakeholders are those who have a considerable influence on our business and operations in the ecosystem, and whom our business has a significant impact on. In this reporting year, with the guidance from an external consultant, we have successfully implemented a structured stakeholder prioritisation exercise. **Diagram 6** depicts the outcome of the stakeholder prioritisation exercise.

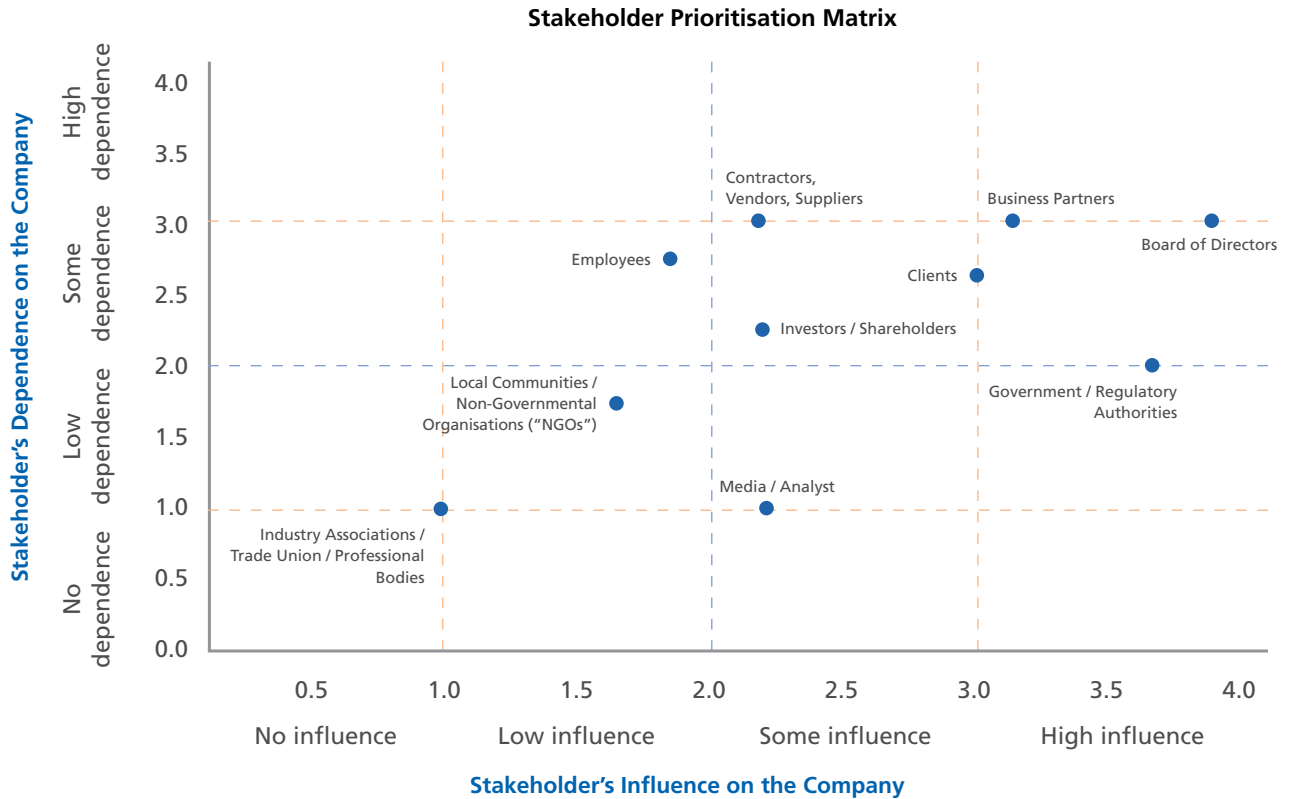


Diagram 6- Stakeholder Prioritisation Matrix

In leading and ensuring improvements in the value chain and value creation for all of our stakeholders in the current context, we recognise that:

- **Our clients** are increasingly looking for infrastructure projects and investment activities that meet their sustainability objectives – being cost-efficient to operate, using less resources and satisfying the expectations of their stakeholders;
- **Our business partners, investors / shareholders** are progressively looking towards strong corporate governance and assurance as scorecards of shareholder value and competitiveness;
- Our **employees** have expectations and aspirations in their own social, environmental, safety or career requirements;
- Our **contractors, vendors and suppliers** are engaged in a wide range of activities, differ considerably in size and have varying experience in safety, health and environmental management which we monitor to maintain ethical standards and mitigate supply chain risks;
- **Government / Regulatory authorities** are seeking solutions to complex issues and must demonstrate value to their constituents; and
- The **local communities / non-governmental organisations** in which we operate, want us to positively contribute to their amenities and natural environment.

SUSTAINABILITY STATEMENT

Our stakeholder groups are clearly defined in **Table 1**.

Table 1- Details of Our Engagement with Stakeholders

Stakeholder Group	Engagement Channel	Focus Area	How We Respond (Kindly refer to respective sections of the statement)
Board of Directors	<ul style="list-style-type: none"> • Board meetings • Annual General Meeting • Corporate / Company events • Email correspondences • Stakeholder Engagement Surveys 	<ul style="list-style-type: none"> ✓ Business strategy ✓ Financial performance ✓ Environmental practices ✓ Human capital management 	Economic, Environmental & Social, pg. 61 – 80
Investors / Shareholders	<ul style="list-style-type: none"> • Annual General Meetings • Investor relation activities • Public announcements • Corporate website • Annual report 	<ul style="list-style-type: none"> ✓ Financial performance ✓ Quality of services & operations ✓ Information security ✓ Open & transparent communication ✓ Environmental practices 	Economic & Environmental, pg. 61 – 72
Employees	<ul style="list-style-type: none"> • Regular meetings • Learning & development programme • Campaigns • Sports Club activities • Stakeholder Engagement Surveys 	<ul style="list-style-type: none"> ✓ Information security ✓ Fair employment practices ✓ Career development 	Economic, pg. 61 – 65 & Social, pg. 73 – 80
Clients	<ul style="list-style-type: none"> • Client satisfaction surveys • Sales & marketing channels of business divisions • Exhibitions • Corporate website • Stakeholder Engagement Surveys 	<ul style="list-style-type: none"> ✓ Accessible & affordable housing ✓ Quality of services & operations ✓ Information security ✓ Environmental practices 	Economic & Environmental, pg. 61 – 72
Government / Regulatory Authorities	<ul style="list-style-type: none"> • Adhoc public invitations • Site visits • Conferences • Participation in organised programmes • Stakeholder Engagement Surveys 	<ul style="list-style-type: none"> ✓ Information security ✓ Compliance to regulatory requirements 	Economic & Environmental, pg. 61 – 72
Contractors, Vendors, Suppliers	<ul style="list-style-type: none"> • Supplier / Subcontractor evaluations • Regular meetings • Stakeholder Engagement Surveys 	<ul style="list-style-type: none"> ✓ Corporate governance practices ✓ Terms of contract ✓ Terms of payment 	Economic, pg. 61 – 65
Business Partners	<ul style="list-style-type: none"> • On-going communication & visits • Stakeholder Engagement Surveys 	<ul style="list-style-type: none"> ✓ Collaboration & market synergy 	Economic, pg. 61 – 65
Media / Analyst	<ul style="list-style-type: none"> • Press conferences • Media releases / interviews 	<ul style="list-style-type: none"> ✓ Open & transparent communication ✓ Environmental practices 	Economic & Environmental, pg. 61 – 72
Local Communities / NGOs	<ul style="list-style-type: none"> • Meetings & visits • Community development programmes 	<ul style="list-style-type: none"> ✓ Accessible & affordable housing ✓ Environmental practices ✓ Community development ✓ Contribution to society 	Environmental & Social, pg. 66 – 80

Materiality Assessment – Business Sustainability

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

The process begins with developing a comprehensive list of sustainability matters that are relevant to our business by taking into account both internal and external factors. This includes considerations of our operating environment and emerging global risks associated with our industry by referring to industry-specific publications such as the SDGs Industry Matrix and Global Reporting Initiative (“GRI G4”) for Construction & Real Estate Sector disclosures.

In addition to our existing stakeholder engagement channels, we engaged our key stakeholders, i.e. Board of Directors, employees, contractors, vendors, suppliers, clients and business partners, through surveys to gauge their perceptions on the level of importance of identified sustainability matters. A sustainability risk assessment exercise was conducted with the representatives of Management across various business functions to determine the significance of each sustainability matter to the Group, by taking into account the degree of impact and likelihood of the occurrence of events associated with these identified sustainability matters. The outcome of Materiality Assessment – Materiality Matrix is illustrated in **Diagram 7**.

SUSTAINABILITY STATEMENT



Diagram 7 - Materiality Matrix

Striving Towards A Higher Purpose

Whilst focusing on our own sustainability and business growth within the local context, we believe as a global citizen in this connected world, we serve a higher purpose in contributing towards long-term value creation in the national and global landscape, echoing the calling of the global and national sustainable development agendas. Hence, in this reporting year, we have initiated an effort to map our identified sustainability matters and our existing sustainability contributions against the United Nations SDGs and the 11MP. This mapping is imperative and serves as the basis in guiding and strategising our future value-adding sustainability initiatives.

SUSTAINABILITY STATEMENT

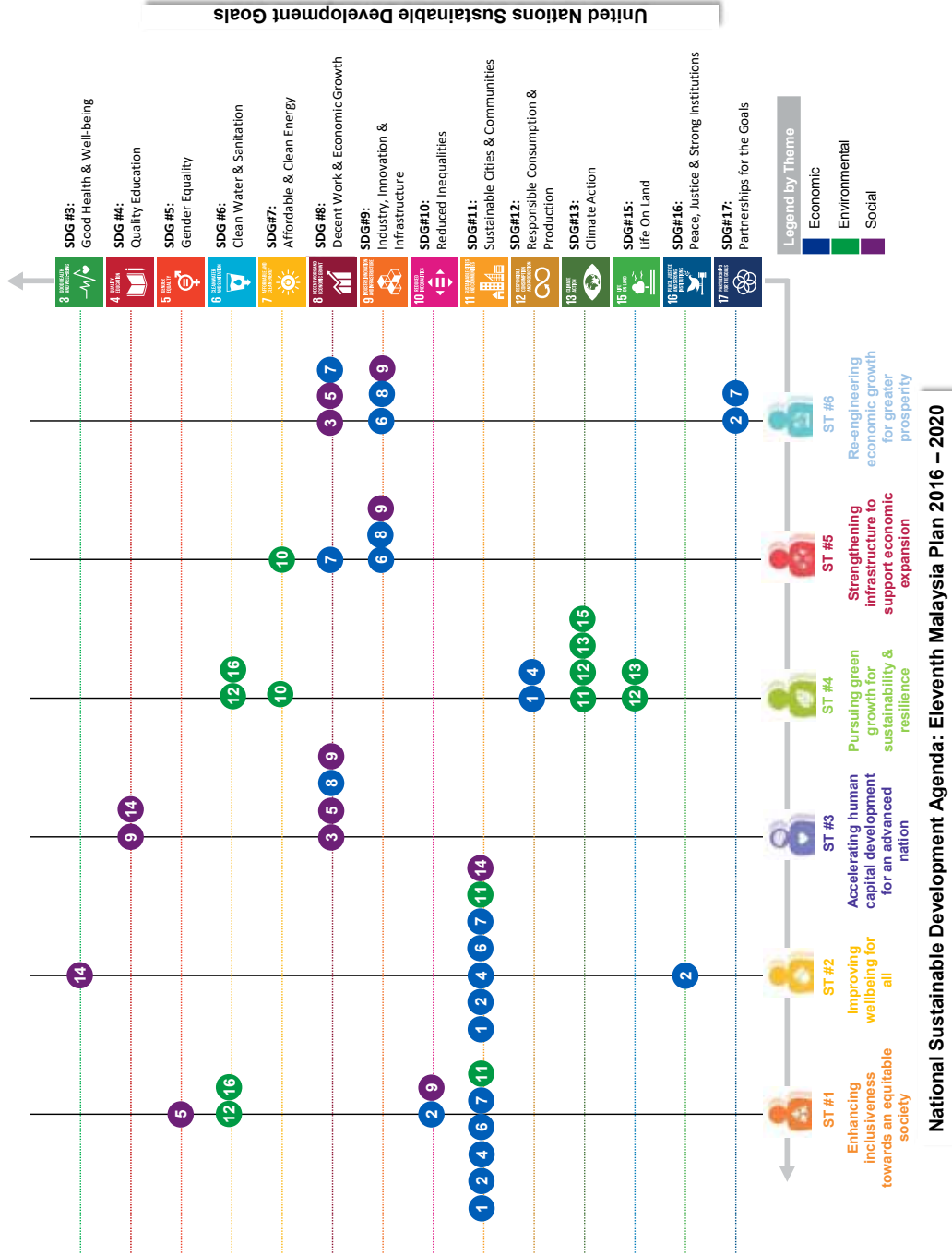


Diagram 8- Mapping Our Sustainability Matters against the SDGs & 11MP

SUSTAINABILITY STATEMENT

ECONOMIC












We endeavour to inculcate sustainability within our core operations, in pursuit of creating long-term value for our stakeholders and promote the growth of the local property and construction industry. We work towards achieving a strong and broad-based economy through high-value products and services, generating job opportunities associated with an advanced knowledge in engineering and technological innovation.

We have delivered and are currently undertaking some of the major and complex construction projects in the country. Our business divisions bring an innovative approach to the successful delivery of projects that satisfy EES needs of our stakeholders. As part of stimulating economic growth of the country, we participate in major national infrastructure projects such as the following:

- MRT Line 2 – V206
- PetRAPID 301 & 402 projects in Pengerang, Johor
- Cyberjaya Hospital
- TRX City – a joint-venture with CRFG Malaysia Berhad (“CRFG”), a construction company wholly owned by China Railway First Group Co Ltd

Responding to our customers’ sentiment over the increase in property prices, we provide affordable homes – i.e. the PR1MA 1A & 2A in Laman View, Cyberjaya via a joint-venture with Cyberview Sdn Bhd.

The key highlights of our initiatives as discussed in this section are summarised below:

	Initiatives addressing sustainability 	Outcome 	Value created for the business & our stakeholders 
Sustainable Operational Excellence (page 62) 	<ul style="list-style-type: none"> • Application of IBS & BIM • Acquire environmental-friendly building materials & recycling of construction waste • Leverage on collaboration with business partners & sharing of expertise across various business segments • Compliance with QLASSIC objectives • Implementation of Quality Policy at GESB 	<ul style="list-style-type: none"> • Improvement of processes & optimisation of resources to drive the effectiveness of projects • Minimise waste generation while saving costs • Create long-term shared value with business partners & employees • Ensure that projects meet industry-relevant quality assessment ratings 	<ul style="list-style-type: none"> • Effective cost & time management to facilitate the reduction of operational cost for the business • Develop competencies of employees to better facilitate sustainable operational excellence • Projects meet quality standards which adhere to clients’ expectations
Business Ethics & Compliance (page 63) 	<ul style="list-style-type: none"> • Establishment of a Code of Conduct for Directors & employees • Implementation of a Whistle-Blowing Policy, as well as a No Gift, Allowance & Cash Policy 	<ul style="list-style-type: none"> • No issues on compliance, integrity & breach of data security reported during the period under review 	<ul style="list-style-type: none"> • Build stakeholders’ relationship through ensuring that business is operated with integrity, transparency & accountability
Sustainable Procurement (page 64) 	<ul style="list-style-type: none"> • Procurement Committee ensures compliance to Company’s policy, materials & services are purchased at competitive terms • Hire local contractors & suppliers • Evaluate performance of suppliers & subcontractors on a regular basis 	<ul style="list-style-type: none"> • Application of local technology & resources • Ensure prices are competitive 	<ul style="list-style-type: none"> • Support the growth of small & medium enterprises • Ensure the business operates on a sustainable value chain
Client Satisfaction (page 64) 	<ul style="list-style-type: none"> • GESB acquires clients’ satisfaction survey feedback & address the issues highlighted 	<ul style="list-style-type: none"> • Achieved target 	<ul style="list-style-type: none"> • Improved relationship with clients
Business Expansion & Strategic Partnership / Collaboration (page 64 & 65) 	<ul style="list-style-type: none"> • Further expand business domestically for positive economic impact • Collaboration in government projects 	<ul style="list-style-type: none"> • Knowledge-sharing with other industry players • Transfer of technology 	<ul style="list-style-type: none"> • Enhancement of local expertise & capacity • Improve opportunities to seize government-related projects • Maximise usage of local sources
Data Privacy & Security (page 65) 	<ul style="list-style-type: none"> • Establishment of IT Policy & Procedure, & Disaster Recovery Plan • Software audits to ensure compliance with software licensing requirements by employees 	<ul style="list-style-type: none"> • No incident of data breaches reported 	<ul style="list-style-type: none"> • Ensure all information remains confidential & secured

SUSTAINABILITY STATEMENT

ECONOMIC

SUSTAINABLE OPERATIONAL EXCELLENCE



In today's competitive operating environment, our clients and customers rely on our capability to apply technological innovation in delivering operational excellence. To pioneer new and better ways to overcome operational challenges, we work closely with our business partners to create continuous shared value after project completion.

Project Leader – PetRAPID 301 & 402

"This is the first in the Company's construction journey where we were involved in drainage, pipework & precast works. The precasts are manufactured in-house at our on-site facilities. This reduces our risk as we are not reliant on external suppliers.

The quality of our batching plant is on par with that of renowned suppliers. The compressive strength of our precast is above standard requirements due to the use of ADVA 323 as rapid hardening admixtures – based on a formula developed by our in-house team. We also used steel moulds, specially designed by consultants instead of conventional formwork as it can be reused to reduce the generation of waste. These initiatives helped to speed up our work progress on-site."

We strive to drive effectiveness of our current and prospective projects through improvement of processes, resource optimisation, methodologies and technological applications. To enhance the efficiency of project management and delivery of projects, we adopted the IBS and BIM. By acquiring environmental-friendly building materials and recycling of construction waste, we are able to further minimise waste generation whilst saving cost.

We leverage on collaboration with business partners, sharing of expertise across various business segments, to drive efficiency and develop our employees' competencies in enhancing the quality of our products and services, specifically in meeting industry-relevant quality assessment ratings such as the Quality Assessment System in Construction ("QLASSIC").



Diagram 9- Summary of QLASSIC Objectives initiated by the Construction Industry Development Board ("CIDB") Malaysia

We monitor the product quality and services through regular inspections. This is to ensure projects adhere to specifications and prescribed procedures. The Vyne received a QLASSIC score of 69%.

The Quality Policy at GESB outlines its commitment in delivering good construction projects through effective management of cost, time and meeting regulatory requirements. We are continuously improving operational excellence by adopting the requirements of the quality management system. GESB has upgraded to ISO 9001:2008 since 2010. Internal Quality Audits are conducted annually based on the project status and level of importance of the projects and business processes. The audit is conducted by employees who are independent of business processes.

Our signature initiative is the application of IBS and BIM across our projects. IBS has reduced wastage and accelerated our construction time. This was done by using aluminium formwork at The Vyne while the Cyberjaya Hospital project site uses a steel formwork in place of conventional timber formwork. These formworks are cost efficient and environmental-friendly.

BIM is used in the Cyberjaya Hospital and TRX City projects. BIM is able to identify conflicts, predetermine space constraints, enhance work coordination and increase productivity. At the Cyberjaya Hospital project site, the use of BIM allows us to measure the quantity of building elements in an accurate manner, hence minimising unnecessary rework. It will also be used for assets recording such as medical equipment, facilitating owner's assets management and easing the maintenance of assets.

SUSTAINABILITY STATEMENT

ECONOMIC



BUSINESS ETHICS & COMPLIANCE



By complying with local and cross-border regulatory requirements and internal company policies, the Company is able to maintain good business ethics and manage the impacts of new regulatory changes. This is pivotal in building and maintaining trust and confidence as well as protecting the interest of our stakeholders and enhancing our value. We take cognisance on the importance of good governance and ethical conduct.

Our policies are reviewed regularly to ensure they reflect any latest changes in legislative requirements and the business environment. During the reporting year, no ethics or integrity breaches were reported. We also prohibit our employees from participating in overseas incentive trips paid for by suppliers, effective since April 2018.

We strive to continuously improve our practices through the implementation of the following policies to ensure our activities are in accordance with the requirements of laws and regulations, as well as support our employees to consistently uphold the highest standards of integrity and accountability.

Code of Conduct

The Board has formalised a Code of Conduct for Directors which is incorporated in the Board Charter to enhance the standard of corporate governance practices and promote ethical conduct. To embed the highest standards of ethics and integrity into the work culture, our Code of Conduct for Employees is disseminated during the employee on-boarding programme. The Code provides a clear direction for conducting business and general workplace behaviour. It also addresses conflicts of interest, confidentiality, fraudulent activities, professional conduct, and fair and equitable treatment of employees.

Non-compliance with policies are classified as major misconduct and the employees involved will be subjected to disciplinary actions, which may lead to dismissal as set out in our Standard Operating Policy and Procedure on Disciplinary Action. The Group Disciplinary Committee provides oversight on implementation.

Whistle-Blowing Policy & Procedure ("WBPP")

We are committed to achieving and maintaining the highest standards of integrity, openness, probity and accountability in the conduct of our business activities and operations.

All employees are encouraged to raise genuine concerns internally without fear of reprisal or victimisation in a responsible manner.



Diagram 10 - Whistle-Blowing Communication Channels

The WBPP outlines the requirement to maintain confidentiality of the whistle-blower and providing protection against intimidation, reprisal, retaliation or adverse reactions. A Whistle-Blowing Form is made available in the Company's corporate website. For more information on the WBPP, please refer to our Company corporate website: <http://www.gadang.com.my>.

No Gift, Allowance & Cash Policy

We adopted a No Gift, Allowance & Cash Policy which sets clear guidelines and procedures for receiving corporate gifts. Our employees are prohibited from directly or indirectly receiving any gifts, vouchers, allowances, or cash in any form on a personal basis from third-parties as a result of or in relation to work. For all customary receipt of gratuitous festive gifts, employees are required to make a declaration to the Group Administration Department.

SUSTAINABILITY STATEMENT

ECONOMIC

SUSTAINABLE PROCUREMENT



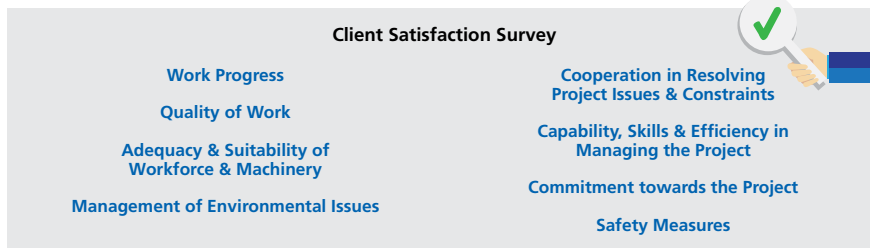
Table 2 - Examples of Criteria for the Evaluation of GESB's Suppliers & Subcontractors

Subcontractors		Suppliers
Keeps Within Subcontract Price	Quality of Work	Quality of Materials
Completeness of Document	Workers Experience	Discount Offered
Safety Awareness	Keeps to Programme	Competitive Pricing
Adequate Plant & Machinery	Requires Minimal Supervision	Delivery On Time
Cooperation with Others		Payment Terms

The relationships we have with our stakeholders across the supply chain are evolving and is important in helping us to achieve our quality objectives. Through leadership and collaboration, we aim to play a more active and responsible role in promoting the local economy by hiring local contractors and suppliers leading to the application of local technology and resources.

As sustainable procurement makes good business sense, our procurement strategy includes ensuring sustainability considerations are embedded within all sourcing processes. Our Procurement Committee ensures compliance to the Company's policy and ensures the required materials and services are procured on favourable and competitive terms, without compromising the quality, technical requirements and timeliness of delivery. We also support the government's initiative in providing opportunities to small and medium enterprises.

CLIENT SATISFACTION



We undertake the process to gauge the level of our clients' satisfaction through surveys and provide prompt responses in addressing issues raised by them. Our aim is to receive less than five complaints a month and we managed to achieve our target.

Diagram 11- Areas Covered in GESB's Client Satisfaction Survey

BUSINESS EXPANSION & STRATEGIC PARTNERSHIP / COLLABORATION



Project Leader – TRX City

"Our bridge & tunneling works is a joint-venture with CRFG. It consists mainly of infrastructure works, providing ingress & egress to TRX City. We expect the joint venture to bring about synergy in the form of knowledge transfer. We also carried out value reengineering initiatives by using a forepoling tube method instead of the pipe interlocking method which will help to reduce cost & time for the tunnel section."

We believe the expansion of our business domestically will result in greater direct and indirect positive economic impact. Through partnerships, we seek to integrate an understanding of trends and latest developments in the market. GESB is a registered CIDB Grade 7 contractor and qualifies for procuring government works.

SUSTAINABILITY STATEMENT

ECONOMIC

For the MRT Line 2 – V206 project, we participated in the client’s Industrial Collaboration Programme (“ICP”) which requires us to maximise the usage of local sources for procurement of construction materials, encourage transfer of technology and knowledge for future generations, creation of employment opportunities and enhancement of local expertise and capacity.

DATA PRIVACY & SECURITY



 **Group Information Technology (“IT”) Department**

- Assess cyber-related risks
- Manage IT infrastructure, networking, backup processes & disaster recovery
- Manage software licensing
- Conduct software and hardware audits
- IT Asset Management
- Oversee the implementation of Group-wide information security policy & raise employee awareness on information security

The protection of data, information and intellectual property belonging to stakeholders against security breaches is one of our top priorities. We have put in place an effective and efficient network security system which must be continuously monitored to safeguard the confidentiality of pertinent data and information, and to prevent illegal download of software. We also conduct, on a random basis, software audits to ensure compliance with software licensing requirements by employees.

Our IT Policy and Procedure provides guidelines for managing the security of our IT infrastructure. In the event of a mishap, a Disaster Recovery Plan is in place to recover lost data. We are committed to complying with relevant requirements as prescribed under the Personal Data Protection Act 2010 (“PDPA”). A prospective customer who provides their personal data is required to sign the PDPA Notice in accordance with statutory compliance. Employees have been informed that their personal data shall be collected, processed and managed in accordance with PDPA Notice as communicated to them. During the reporting year, we enhanced our IT infrastructure and systems by upgrading offsite disaster recovery facility and installation of firewall and anti-virus software. No incident of data breaches were reported.

LOOKING FORWARD

We will look out for opportunities to deploy technological innovation in delivering and managing our projects. Through future collaborations, we intend to expand our business operations and contribute towards the development of our nation for greater economic impact. Our objectives include continuously updating our IT systems, upholding our business integrity and strengthening our policies and procedures.










SUSTAINABILITY STATEMENT

ENVIRONMENTAL



We are committed to minimising environmental impacts arising from our operations. This can be achieved by managing consumption and waste in a responsible manner, adopting sustainable practices and integrating environmental impact considerations in decision-making and key business processes.

The key highlights of our initiatives as discussed in this section are summarised below:

	Initiatives addressing sustainability 	Outcome 	Value created for the business & our stakeholders 
Energy Management (page 67) 	<ul style="list-style-type: none"> Installation of T5 & CFL fittings for all common areas at The Vyne Installation of timer Providing light troughs & solar panels Design EMS to monitor energy consumption 	<ul style="list-style-type: none"> Efficiently managed energy consumption 	<ul style="list-style-type: none"> Energy & cost saving construction projects
Noise Management (page 68) 	<ul style="list-style-type: none"> Restrict the movement of heavy vehicles to daytime working hours Hoarding with noise barriers Noise generating equipment & machineries are inspected regularly & maintained in good working condition Environmental training programmes 	<ul style="list-style-type: none"> Reduce noise generation Environmental-friendly indoor atmosphere with emphasis on sound insulation in occupied spaces 	<ul style="list-style-type: none"> Minimise noise disturbance in public vicinities
Effluent & Waste Management (page 69) 	<ul style="list-style-type: none"> Construction waste is collected & disposed as & when needed Wood is reused whereas metal is recycled Provide dedicated areas for the storage of construction waste with bins for storage of non-hazardous materials for recycling 	<ul style="list-style-type: none"> Reduce the environmental impact associated with the extraction & processing of natural resources Waste is minimised The Vyne - 55% of non-hazardous construction waste was recycled The Vyne - Material cost reduced by 4% from reusing aluminium formwork for reinforced concrete 	<ul style="list-style-type: none"> Environmental impact & project cost are reduced
Biodiversity & Land Management (page 70) 	<ul style="list-style-type: none"> Site clearing works are limited to construction areas only All earthwork activities are conducted in accordance with the sequence of the approved Method Statement Maintained with greenery to promote biodiversity Rainwater harvesting systems established Mitigation measures & monitoring programmes 	<ul style="list-style-type: none"> Reduce the UHI effect Reduce potable water usage for landscape irrigation The Vyne - Greenery over the total development area is 26% Reduce the negative impact on the environment 	<ul style="list-style-type: none"> During the reporting period, there were no flooding, ponding & erosion issues reported.
Air Emissions (page 71) 	<ul style="list-style-type: none"> Air quality monitoring Maintaining all vehicles, plant & equipment in good working condition Environmental training programmes 	<ul style="list-style-type: none"> Average readings were within acceptable limits set by MAAQS 	<ul style="list-style-type: none"> Negligible global warming potential
Water Management (page 72) 	<ul style="list-style-type: none"> Water quality monitoring Provided rainwater harvesting facilities Constructed temporary drainage to collect & channel surface run-off water to silt traps 	<ul style="list-style-type: none"> The Vyne - Potable water consumption reduced by 40% through rainwater harvesting The Vyne - Potable water consumption reduced by 11% due to installation of water efficient fittings 	<ul style="list-style-type: none"> Water is conserved

SUSTAINABILITY STATEMENT

ENVIRONMENTAL



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 through improved indoor environment, and reducing negative environmental impact arising from building operations. Buildings may be designed and constructed in an ecologically sustainable manner, however the focus on sustainability may be lost unless it is operated efficiently and properly maintained.

Our Environmental Policy forms an integral part of our business strategy, and we ensure compliance with the Environmental Quality Act 1974 and other legislations throughout all stages of our construction and property development projects. As a mitigation measure for environmental protection, we comply with a set of guidelines specified in the Environmental Management Plan ("EMP") of respective projects. We are committed to meet the requirements provided in GESB's Health, Safety and Environmental Manual.

Where an Environmental Impact Assessment ("EIA") is required to be undertaken, we will prepare the relevant documentation and submit to the Department of Environment ("DOE") for approval. This includes indicating the relevant mitigation measures for environmental protection and enhancement, including monitoring and performing regular audits in the identified areas with potential significant environmental impacts.

In a recent survey with Kuala Lumpur City Hall, our waste management, air emission, and noise management were identified as key environmental aspects that required more attention from us. We provide in-house training on environmental management to all Supervisors who work on project sites in an effort to counter this. The training includes topics related to legal requirements, environmental aspects and impacts, and operational controls, such as emergency response, erosion and sediment, noise and vibration control, air and water impact controls, and environmental monitoring for the project sites.

For The Vyne project, we obtained Provisional Green Building Index Certification for site selection, open spaces, landscaping and heat island effect, community services and connectivity, public transportation access, construction waste management, materials reuse and selection, storage and collection of recyclables, innovation in design and environmental initiatives, and rainwater harvesting.

ENERGY MANAGEMENT



We installed T5 Fluorescent Batten ("T5") and Compact Fluorescent Lamp ("CFL") fittings for all common areas that are both energy and cost saving at The Vyne. A timer is used for light energy savings at the carpark and common areas.

To efficiently manage our energy at Cyberjaya Hospital, we are designing a comprehensive Energy Management System ("EMS") to monitor, analyse, control and report on energy management of the building. The EMS is able to process the hourly, daily and weekly energy consumption data and provide the annual projected energy consumption data. Amongst others, we will provide light troughs at the perimeter windows to harvest daylight and minimise electrical energy consumption, and solar energy will be harvested via installation of solar panels on top of the multi-level carpark. More details will be shared in the next reporting year when this project progresses as planned.

SUSTAINABILITY STATEMENT

ENVIRONMENTAL

NOISE MANAGEMENT



Each of the projects we are involved in are subjected to different schedules of permissible sound levels of the Planning Guidelines for Environmental Noise Limits and Control (“PGENLC”) as shown in **Table 3**.

Table 3 - Noise monitoring for project sites and relative maximum permissible sound levels

Project Sites	Planning Guidelines for Environmental Noise Limits & Controls	Maximum Permissible Sound Levels		Average Results	
		Daytime 7am – 10pm (dBA)	Night time 10pm – 7am (dBA)	Daytime 7am – 10pm (dBA)	Night time 10pm – 7am (dBA)
MRT Line 2 – V206	Schedule 1: Suburban Residential (Medium Density) Areas, Public Spaces, Parks, Recreational Areas		LA _{eq} : 45		Y
	Schedule 6: Residential	L ₉₀ : 60*	L ₉₀ : 55^	α	β
		L ₁₀ : 75*	L ₁₀ : 70^	α	α
	L _{max} : 90*	L _{max} : 85^	Y	Y	
PetRAPID 301 & 402	Schedule 1: Designated Industrial Zones	LA _{eq} : 70	LA _{eq} : 60	α	α
TRX City	Schedule 4: Urban Residential (High Density)	LA _{eq} : 65	LA _{eq} : 60	α	α
Cyberjaya Hospital	Schedule 1: Commercial Business Zones	LA _{eq} : 65	LA _{eq} : 55	α	β
	Schedule 1: Urban Residential (High Density) Areas, Designated Mixed Development Areas (Residential – Commercial)	LA _{eq} : 60	LA _{eq} : 50	α	β

α – Within the permissible limit of PGENLC
 Y – Exceeds the permissible limit by more than 5%
 ^ – Evening: 7pm – 10pm

β – Slightly exceed the permissible limit by no more than 5%
 * – Daytime: 7am – 7pm

Although some of the readings for MRT Line 2 – V206 exceeded the permissible limits by more than 5%, the readings were not significantly higher than that of the baseline as shown in **Table 4**.

MRT Line 2 – V206	Parameters (dBA)	Daytime Baseline	Night time Baseline	Average Daytime	Average Night time
	LA _{eq}	67	62	δ	ε
	L ₉₀	59	60	δ	δ
	L ₁₀	69	68	δ	δ
	L _{max}	101	88	δ	ε

Table 4 - Average readings for MRT Line 2 – V206 project site against relative baselines and parameters

δ – within the baseline ε – slightly exceeds the baseline by no more than 3%

At the MRT Line 2 – V206 project site, noise and vibration control is 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. Hoarding with noise barriers are installed at relevant areas to isolate the unsightly construction sites from nearby residential areas. Acoustic panels are used as temporary noise barriers to contain noise at sensitive areas. Noise generating equipment and machineries are inspected regularly and maintained in good working condition to reduce noise generation.

Prior to commencement of construction works, temporary noise barriers and partial enclosures with flexible noise shrouds are installed at project sites. This can be used to mitigate noise pollution from piling machines, cranes, drilling and hacking at work sites. Machineries are turned off when not in use, and environmental training programmes focusing on noise management for employees and workers are conducted. Injection piles were used during the construction of The Vyne to reduce noise disturbance. At the TRX City project site, we installed double glazed glass in one of the stakeholder’s office to create effective sound barrier and reduce noise.

SUSTAINABILITY STATEMENT

ENVIRONMENTAL

EFFLUENT & WASTE MANAGEMENT



All efforts aimed at reducing the demand for virgin materials and generation of waste serves to minimise the environmental impact associated with the extraction and processing of natural resources. Efficient waste management strategies have been proven to save significant cost whilst minimising environmental impact.

At The Vyne, 55% of non-hazardous construction waste was recycled and salvaged. **Diagram 12** shows the quantity of construction waste generated and sent for recycling. We also managed to reduce material cost by 4% from reusing aluminium formwork for reinforced concrete.



Diagram 12 – Total Quantity of Construction Waste Generated & Recycled (tonnes) at The Vyne

Percentage of Waste Recycled (%)

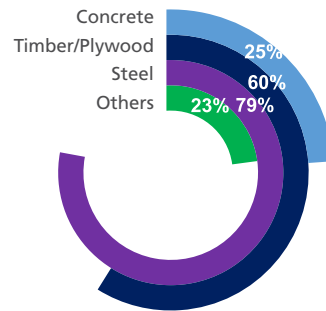


Diagram 13 – Percentage of Construction Waste Recycled at The Vyne

For MRT Line 2 – V206 project, construction waste is collected and disposed as and when needed. The accumulation of waste at project sites are prohibited. Wood is reused whereas metal is recycled. We developed and implemented a Waste Management Plan (“WMP”) which outlines the requirement for providing dedicated areas for the storage of construction waste. The WMP is reviewed annually. Waste disposed are in accordance with the requirement as set by the DOE and other relevant regulatory bodies. We have established procedures for managing the collection and delivery of construction waste to reuse or recycling facilities. Progress updates on implementation of WMP are included as an agenda for discussion at project site meetings as and when needed.

We have bins for the storage of non-hazardous materials for recycling at Cyberjaya Hospital and The Vyne.

SUSTAINABILITY STATEMENT

ENVIRONMENTAL



BIODIVERSITY & LAND MANAGEMENT



Site clearing works are limited to construction areas only. As far as practicable, existing vegetation is preserved to act as a natural buffer zone between cleared land and watercourses. All earthwork activities are conducted in accordance with the sequence of the approved Method Statement. To reduce the amount and duration of exposed soil area, construction activities are carried out in stages. Exposed soil areas are compacted and graded to channel surface run-off, and temporary erosion protection for exposed slopes are carried out until permanent protection measures are provided. Sediment control measures such as check dams and temporary earth drains, silt fences, turfing, silt traps, wheel washing facilities and sediment ponds are constructed prior to commencement of work and maintained at all times.



MRT Line 2 – V206 Minimising the loss of Biodiversity & Land Contamination

- ✓ Internal Controls
- ✓ Monitoring Mechanisms
- ✓ Taking into consideration the surrounding flora & fauna
- ✓ Reduce environmental changes & damage during landscaping



Urban Heat Island (“UHI”) Effect Prevention



Compliance with ISO 14001:2004 Environmental Management System

Detailed Environmental Impact Assessment (“DEIA”)

- Carried out by the client
- Ensures the project will not contribute to major environmental impact to the surrounding areas of project sites
- Conducted a detailed Environmental Aspects & Impacts assessment for each site activity & for particular conditions on the site
 - ✓ identifying environmental risks
 - ✓ measures to prevent actual or potential threat of adverse effects on living organisms & environment through managing effluent, emission, waste resources depletion & biodiversity loss

Physical Site Environmental Inspections

- Carried out on a weekly basis
- Outcomes of inspections are submitted to Project Delivery Partner (“PDP”) for review & approval
- Environmental Officer will supervise & monitor all erosion & sediment control components
- Update daily environmental site diary
- Obtain readings & record rain gauge data
- Conduct inspections of pollution control measures
- Structural best management practices of erosion & sediment control

Flood Protection Plan (“FPP”)



Identify current flood prone area



Conduct rainfall study



Undertake flood protection consideration & measures



Examine the surrounding topography to determine the probable nature & extent of any flooding



Examine the potential consequences of any flooding



Develop proposal to prevent flooding



Identify potential cause of flooding due to construction

The key measures as stipulated in our FPP is aligned with the Emergency Response Plan, approved by the PDP. The Plan is formally reviewed on annual basis. The Emergency Preparedness & Response Plan is put in place to handle unexpected accidents & incidents upon discussion with the Fire & Rescue Department of Malaysia, Royal Malaysia Police, Department of Safety & Health (“DOSH”) & other local authorities

Diagram 14 - MRT Line 2 – V206 Project – Initiatives to Minimise Biodiversity Losses

The Vyne is a ten-acre land development comprising of 800 units of condominiums spread over five blocks. The large development site area is maintained with greenery to promote biodiversity and reduce the UHI effect. Substantial greenery of the development area was provided and green walls were set up as part of the perimeter fencing. To reduce potable water usage for landscape irrigation, rainwater harvesting systems have been established in this development. All rainwater outlets for landscape irrigation are identified with labels. The percentage of greenery over the total development area is 26%.



Case Study: Timely Diversion Saved East Area from Flash Flood – PetRAPID

10 November 2017, Friday – Our project site suffered the worst flash flood after a heavy storm. Within a short span of time, the drains in the area began to overflow. All personnel started to move valuable equipment & machineries to higher places, but when the flood water reached the road, the danger of submerged machineries was imminent. This quick rise in flood water was due to an incomplete portion of permanent concrete drain. Our supervisor then swiftly led a team to excavate an abandoned culvert, thus diverting the water to a drain leading to an outfall directed towards the sea. Water levels subsided immediately, saving us from a costly disaster in terms of property damages.

To maintain Construction Activity Pollution Control, we target to implement the Erosion Sedimentation Control Plan (“ESCP”) at the Cyberjaya Hospital project site. The ESCP will conform to the erosion and sedimentation requirements as provided in the Earthwork plan and in accordance to the relevant local standards and codes. Stormwater management design and construction works conform to the requirements set by the Public Works Department (“PWD”), ESCP, Urban Stormwater Management Manual (“MSMA”) and other relevant local authorities. During the reporting period, there were no flooding, ponding and erosion issues reported.

SUSTAINABILITY STATEMENT

ENVIRONMENTAL

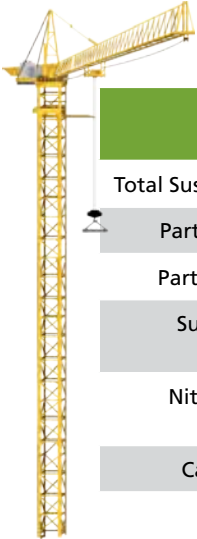
AIR EMISSIONS



Our efforts to monitor air emission is guided by the Malaysian Ambient Air Quality Standard (“MAAQS”). We comply with the restrictions on pollution of the atmosphere and prohibition on open burning. Based on the Environmental Quality Regulation 1996, we monitor emission from diesel and petrol engines, as well as comply with the conditions as stated in the Detailed Environmental Impact Assessment (“DEIA”) where applicable.

For the MRT Line 2 – V206 project, air quality is monitored by maintaining natural buffer zones which act as a filter for dust control, as well as ensuring exhaust emissions are within acceptable limits by maintaining all vehicles, plant and equipment in good working condition. During the reporting year, parameters monitored at our project sites were maintained below the permissible limit as set by MAAQS. This is shown in **Table 5**.

Table 5 - Ambient Air Quality Monitoring of Project Sites



Parameters	Averaging Time	MAAQS	MRT Line 2 – V206	PetRAPID 301 & 402	TRX City	Cyberjaya Hospital
Total Suspended Particulates (“TSP”)	24 hours	260 µg / m ³	α	α		α
Particulate Matter (“PM ₁₀ ”)	24 hours	150 µg / m ³		α	α	
Particulate Matter (“PM _{2.5} ”)	24 hours	75 µg / m ³			α	
Sulphur Dioxide (“SO ₂ ”)	24 hours / 1 hour	105 µg / m ³ / 350 µg / m ³		α	α	
Nitrogen Dioxide (“NO ₂ ”)	24 hours / 1 hour	75 µg / m ³ / 320 µg / m ³	α	α	α	
Carbon Dioxide (“CO”)	1 hour	35 µg / m ³	α	α	α	
Ozone (“O ₃ ”)	1 hour	200 µg / m ³			α	

α – Within MAAQS limit

We will notify the DOE on processes that involve discharging of air pollutants into the open air, setting up of new plants, or fuel burning equipment.

Other initiatives to minimise air emission include conducting environmental training programmes focusing on air quality management for all employees. We also cover our earth and soil stockpile with canvas or geotextile, and exposed soil areas and haulage roads are damped with water especially during dry weather conditions. Water is frequently sprayed during hacking, crushing and drilling works. Vehicles which carry soil, sand and other similar types of materials are covered with tarpaulin, canvas or other equivalent materials before they are allowed to enter the public road.

SUSTAINABILITY STATEMENT

ENVIRONMENTAL

WATER MANAGEMENT



Water is one of the most important resources taken for granted. The average domestic water consumption in Malaysia is higher than that of developed countries. Climate change is expected to bring about significant changes to water availability. At The Vyne, we provided facilities for rainwater harvesting to reduce potable water consumption. The rainwater is then utilised for landscape irrigation, water feature make-up, common area toilets' water closet flushing, and general cleaning of common area toilets.

GESB carries out monthly water quality monitoring. To manage water pollution at our MRT Line 2 – V206 project sites, we constructed temporary drainage to collect and channel surface run-off water to silt traps. Spillage of oil and grease is not allowed to flow into watercourses or seep into the ground. If there is leakage into such channels, it is immediately cleaned and contaminated materials shall be handled as scheduled waste. Clean rainwater accumulated in bunded areas are pumped out and drained to adjacent waterways.

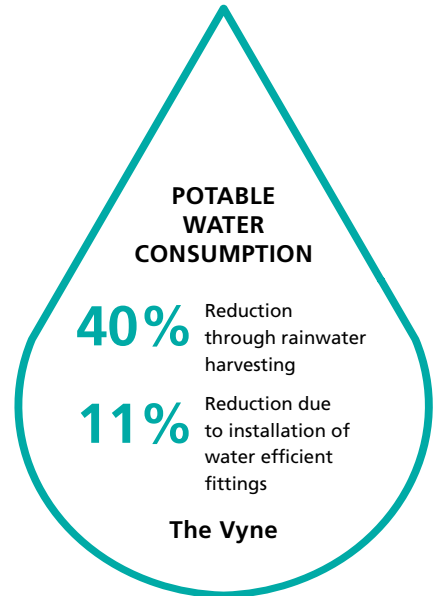


Table 6 - Water Quality of Project Sites against NWQS of Malaysia

Parameters	NWQS II / III	MRT Line 2 – V206	PetRAPID 301 & 402	TRX City
pH	6 – 9 / 5 – 9	α	α	α
Total Suspended Solids (mg/L)	50 / 150	α	α	β



α – Within NWQS limit
 β – Not within NWQS limit

As shown in **Table 6**, the Total Suspended Solids (“TSS”) reading for TRX City exceeded the National Water Quality Standards (“NWQS”) limit. Proper mitigation initiatives have been conducted to improve the overall water quality, such as carrying out regular maintenance on monsoon drains and ensuring suitable placement of check dams / gabions to reduce the velocity of water, hence trapping materials that may cause blockages.

LOOKING FORWARD

We aim to standardise our environmental monitoring measures in the coming reporting years to allow for a more meaningful analysis of performance results against standards.








SUSTAINABILITY STATEMENT

SOCIAL



We seek to maintain a productive working environment without compromising the wellbeing of our employees. For their betterment, we ensure health and safety policies are in place and in accordance to labour standards set by regulators. We believe in accelerating human capital development and enhancing inclusiveness towards achieving an equitable society and meeting the needs of an advanced economy through community development.

The key highlights of our initiatives as discussed in this section are summarised below:

	Initiatives addressing sustainability 	Outcome 	Value created for the business & our stakeholders 
Occupational Health & Safety (page 73 to 75) 	<ul style="list-style-type: none"> Continuous improvement of HSE best management practices Establishment of the GESB HSE Department Regular trainings on HSE provided to employees Strict requirements to comply with HSE plans & procedures 	<ul style="list-style-type: none"> No cases of fatalities reported 	<ul style="list-style-type: none"> Maintain a safe & healthy working environment for employees
Learning & Development (page 76) 	<ul style="list-style-type: none"> Invest in technical & non-technical internal & external trainings 	<ul style="list-style-type: none"> Employees' ability to adapt to the fast-changing & complex business environment is improved 	<ul style="list-style-type: none"> Maintain integrity in our business Continuous skills training & development for employees
Attractive & Inclusive Workplace (page 77 to 79) 	<ul style="list-style-type: none"> Recruitment processes promote the incorporation of local talent Established an Equal Employment Opportunity Policy Encourage employees to openly communicate with their supervisors / HOD Implementation of an ESOS Establishment of the Gadang Sports Club 	<ul style="list-style-type: none"> Fair & conducive working environment High standards of openness Employees are motivated to improve their own performance as well as the performance of the business Promote teamwork 	<ul style="list-style-type: none"> Equal opportunities for recruitment, promotion, transfer, compensation, etc. Recognise employees' performance & contributions Encourage healthy lifestyle Women are given equal opportunities for growth & development
Community Development (page 80) 	<ul style="list-style-type: none"> Participation in the MRT projects Development of PR1MA housing Monetary contributions to local associations & institutions Provide access to public transport 	<ul style="list-style-type: none"> Contribute to the nation's development plans 	<ul style="list-style-type: none"> Enhance the livelihoods of the Malaysian society Ease the cost of living through contributing to the development of affordable housing

OCCUPATIONAL HEALTH & SAFETY



Across our operations, we maintain a safe and healthy working environment by implementing key measures to prevent injuries, fatalities and occupational illness at project sites and workplace. We are committed to the continuous improvement of our health, safety and environmental best management practices, in line with the objectives of the GESB Policy Statement as shown in **Diagram 15**.

HEALTH, SAFETY & ENVIRONMENT IS OUR CULTURE & COMMITMENT

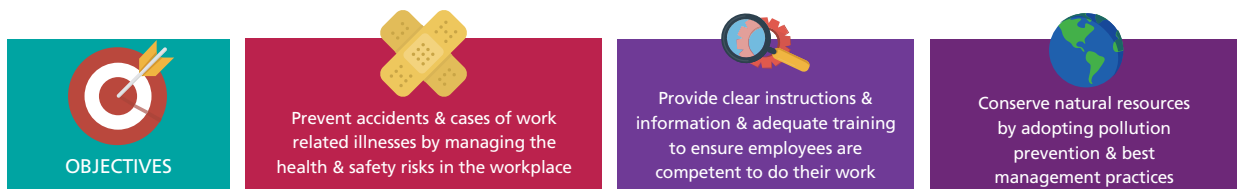


Diagram 15 - Health, Safety & Environment ("HSE") Objectives, Practices & Values

Our Quality, Safety, Health & Environment Management System deploys an integrated coherent system of standards, i.e. ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007 and MS 1722: 2011. GESB HSE Department at project sites holds monthly meetings, weekly briefings, safety induction courses, and refresher trainings to develop a safety culture across the Group.

SUSTAINABILITY STATEMENT

SOCIAL



Award: 3,000,000 Safe Man-Hours Without LTI – PetRAPID

“Our strong focus in identifying & controlling hazards, reducing exposure to health & safety risks, & prioritising the general health & well-being of our team members, has ensured that we achieved this milestone of 3 million safe man-hours without Lost Time Injury (“LTI”). We would not have achieved it without the hard work & effort from everyone, and aim to sustain the achievement we made towards the completion of the project.”



Table 7 - HSE Targets & Results

Target	2018 Performance
Zero life loss	No fatalities
Reportable incident rate of less than 3	3.67
LTI frequency rate of less than 0.27	0.65

As shown in **Table 7**, we have not achieved our HSE targets. We aim to improve in the coming reporting year through heightened awareness on safety and occupational hazards.

GESB conducts regular HSE trainings depending on the employees’ role and project requirements. Basic occupational first aid, Cardiopulmonary Resuscitation (“CPR”) and Automated External Defibrillator (“AED”) trainings, and fire safety inductions, are some of the regular HSE trainings that

we encourage our employees to attend. Annual compliance audits are conducted by internal auditors for our projects and subsidiaries. Independent third-party auditors conduct corporate HSE audit while SIRIM QAS International auditors carry out SIRIM surveillance audit. Frequent fogging of our work areas are conducted to ensure the spread of diseases such as dengue is managed and eradicated.

In GESB’s Letter of Award to subcontractors, it is stated that the subcontractor will observe and adhere to strict requirements imposed by the employer regarding compliance of safety, health, security and environmental plans and procedures. All workers at the project site shall wear safety helmets and safety boots, and comply with all safety requirements.

SUSTAINABILITY STATEMENT

SOCIAL

As detailed in our contract, all workers employed must comply with the requirement on safety, health, environmental and security set by the clients. The subcontractor is responsible for providing workers with PPE and other safety equipment. Subcontractor workers must attend safety inductions required by the project owner and comply with a set of guidelines specified in the project Safety & Health Plan. To ensure the health, safety and wellbeing of our workers, we adhere to the requirements at the Cyberjaya Hospital project site as shown in **Diagram 16**.

For MRT Line 2 – V206 project, we are required to comply with the client’s Safety, Health and Environmental (“SHE”) performance measurement scheme whereby payment against the SHE Bill is linked to our SHE monthly performance. The client outlines the performance measurement based on specific SHE Key Performance Indicators (“KPIs”) such as Monthly SHE Assessment, Non-Compliance Report (“NCR”) Closure Rate, number of incidents threatening public safety and caused inconvenience to public, incident rates, and the number of Stop Work orders. This is reviewed periodically to ensure project requirements are met and to facilitate continual improvements.

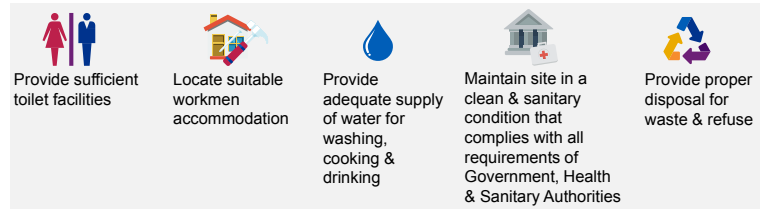
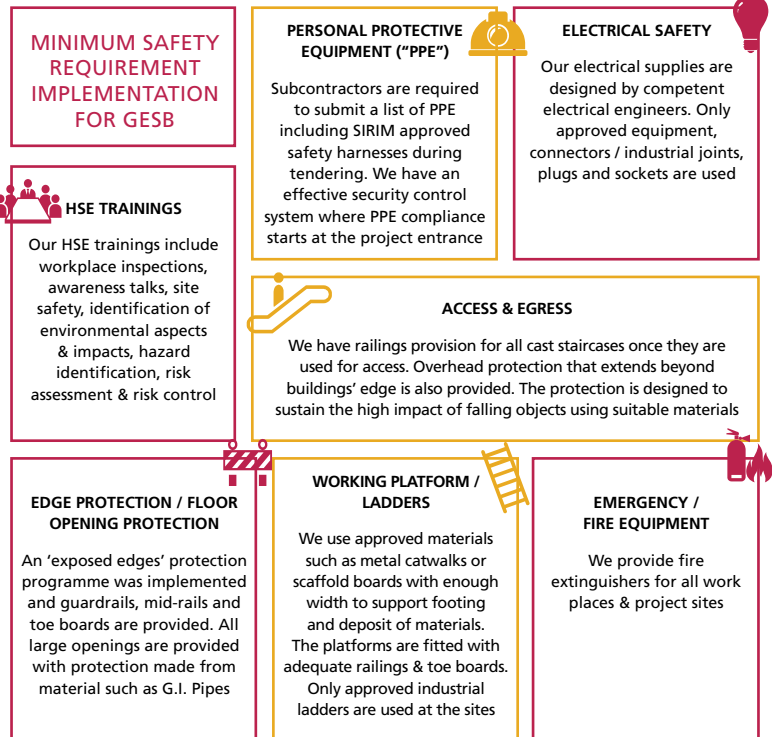


Diagram 16 – Contractor Amenities’ Requirements for Workers involved in Cyberjaya Hospital Project



As part of our 2018 ‘Healthy Lifestyle Campaign’, GESB carried out a blood donation drive, breast cancer and dengue awareness talks and health screening. These activities were organised in collaboration with the National Blood Centre and Breast Cancer Welfare Association Malaysia.



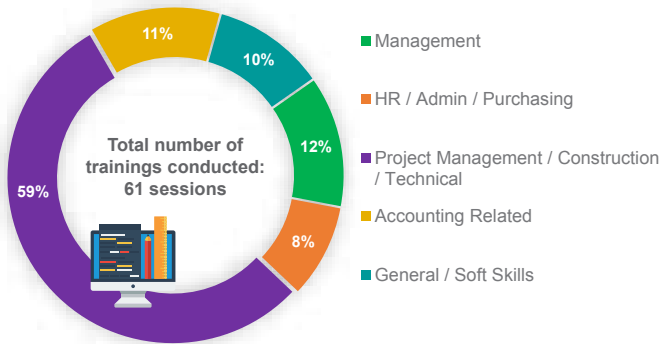
SUSTAINABILITY STATEMENT

SOCIAL

LEARNING & DEVELOPMENT



We believe investing in effective training programmes to uplift the competencies of our employees will sustain their competitive edge in a fast-changing business environment.



As part of our continuous effort to build and develop our employees' skills and knowledge, our Human Capital Department facilitated to organise a total of 61 training programmes across various disciplines as shown in **Diagram 17**. More emphasis was given to enhance project management and technical skill sets to ensure higher standards in the delivery and execution of projects. Trainings also allow the promotion of sustainability and offer opportunities for career advancement.

Diagram 17 – Trainings Conducted for Various Disciplines

Diagram 17 includes training programmes held by professional regulatory bodies and industry associations such as the Malaysian Employers Federation, Certified Practising Accountant ("CPA") Australia, Master Builders Association Malaysia, Malaysian Public Works Department, and National Institute of Occupational Safety & Health Malaysia. Examples of these are:

- ✓ Employment Act 1955 & Regulation
- ✓ LHDNM-MEF Seminar 2018 (Tax Audit – Duties & Responsibilities of Employers)
- ✓ Deductible Expenses
- ✓ 2-Day Training on Occupational Safety & Health Committee for Construction
- ✓ Seminar on Traffic Management
- ✓ OSH Management System: MS1722 & OHSAS 18001 Lead Auditor
- ✓ Authorised Entrant & Standby Person for Confined Space

Technical training programmes are also conducted at project sites to improve employees' construction skills and understanding of health and safety matters. The training programmes touch upon topics such as defensive driving, working at height, excavation, confined space, lockout / tagout and others.

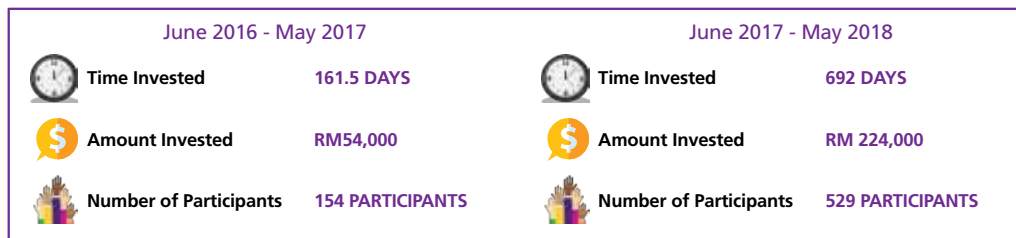


Diagram 18 – Comparison of Total Training Hours & Amount Invested & Number of Participants

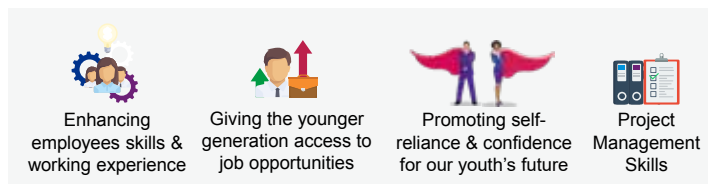


Diagram 19 – GESB Construction Skills & Training Development Programme

SUSTAINABILITY STATEMENT

SOCIAL



ATTRACTIVE & INCLUSIVE WORKPLACE



QA/QC MANAGER

"Female workers in the Company have the opportunity to undergo personal growth. In 2011, the Senior QA/QC engineers involved in the Shah Alam Hospital project were women, as well as those working on the QA/QC documentation for the MRT Line 1 – V2 project.

After 11 months of being in the Company, I was rewarded for my hard work & performance by preparing project quality documentation & plans, & always submitting them timely for commencement. We experience equal opportunity & fair remuneration as well as benefits such as schooling aids, ESOS & a company car.

The Company instills trust in their employees by providing flexibility & allowing us to work independently."

We have nurtured a fair and conducive working environment by embracing diversity and inclusion in our versatile workforce. For example, we integrated knowledge and experience across our main business segments and subsidiaries, and managed recruitment practices that promote the incorporation of local talent.

Our Code of Conduct serves as a guide to proper business etiquette for all employees and ensures we observe the highest standards of integrity. This means following a basic code of ethical behavior that includes conflict of interest, confidentiality, crime, professional conduct, and fair and equitable treatment. All new employees are required to acknowledge that they understand our Group's general terms and conditions.

Our Equal Employment Opportunity Policy highlights our values and the enforcement of fair employment practices as a vital part of leadership responsibility. The policy applies to all personnel matters including recruitment, promotion, transfer, compensation, benefits administration, training, education, and recreational activities.

Diagram 20 illustrates the profile of our employees and workers from diverse backgrounds, age, gender and ethnicity.

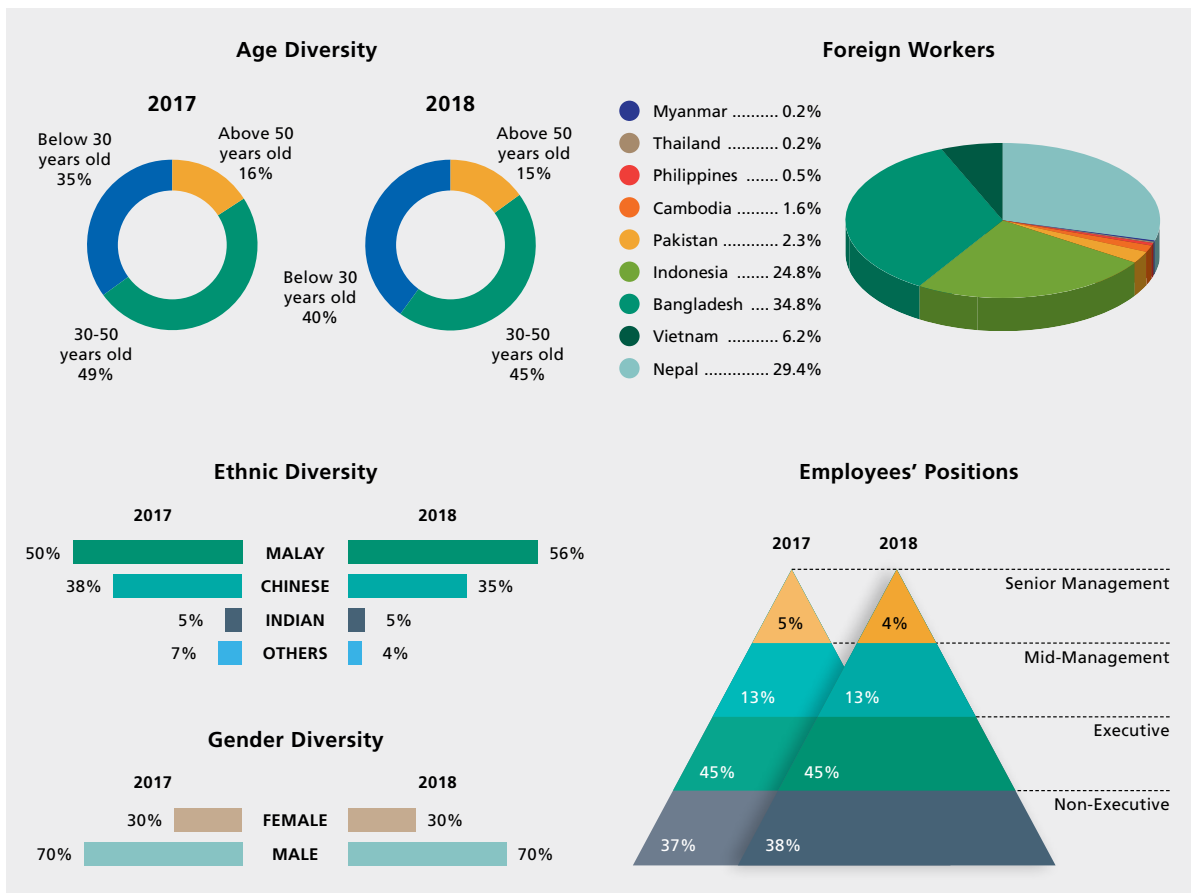


Diagram 20 – Gender, Age Group, Position & Ethnicity Profiles

SUSTAINABILITY STATEMENT

SOCIAL



Head – Contract & Maintenance, Property Division

“As a civil engineer by profession, I began my career with Gadang Land as an Assistant Project Manager. After a few years, I was promoted to a Project Manager, then a Senior Project Manager & eventually a General Manager, heading the Contract & Maintenance Department.

I was given a lot of opportunities & exposure to be involved in land acquisition, joint-ventures, contract management & property maintenance. The trust & confidence of the Company in my work allows me to realise my full potential.”

As detailed in our Employee Handbook, we protect our employees and consider any kind of harassment, violence and misconduct unlawful. We recognise their hard work and achievements through an annual promotion exercise, and will consider the promotion of suitable serving employees based on their qualification, job performance, ability and seniority.

Our Group Performance Management System (“PMS”) assists the Heads of Business Divisions and Heads of Group Support Functions to stay focus on their business growth and targets by sharing them with their subordinates. It also ties a reward system to the achievement of business objectives and ensures that employees understand their work performance is being appraised so they can work towards achieving their departmental targets. The Group PMS is based on a yearly Performance Appraisal cycle by the Group Human Capital Department. The Performance Appraisal exercise applies to all employees.

The Group strongly encourages our employees to approach their respective immediate Supervisor or HOD to openly communicate at any time when in doubt or facing difficulties. We are committed to maintaining a drug-free workplace and prohibit the use or sale of illegal drugs, as highlighted in the Group Substance Abuse Policy.



Gadang Scholarship

Open to Malaysian citizens not more than 23 years old, seeking to do a Bachelor’s Degree in a Malaysian institution.

Successful scholars must serve the company or its subsidiaries for 3 years

33 students selected since the establishment of this initiative

1 Malaysia Training Scheme (“SL1M”)

Participated & supported SL1M, the Government’s initiative to better equip local youths with skills to secure jobs.

14 SL1M trainees were recruited on a permanent basis

Aside from the ESOS, we also offer our employees benefits such as outpatient medical treatment, hospitalisation and surgery, personal accident coverage, professional association membership subscription, petrol, transportation and entertainment reimbursement. We also ensure fair remuneration amongst our employees, regardless of their race and gender. Our Grievance Procedure ensures fair treatment of all employees when dealing with their grief and addressing problems in the best possible manner. This includes providing a channel to communicate their grievances to the Group CEO.

Employee Share Option Scheme (“ESOS”)

CRITERIA

- At least 18 years old
- Not an undischarged bankrupt nor subject to any bankruptcy proceedings
- Confirmed in writing as a full time employee & is on the payroll of a company in the Group
- Permanent staff: Worked for more than 1 year in the Group
- Contract Staff: Worked for more than 1 year & more than one project or has worked for more than 3 years

PURPOSE

- Recognise employee contribution whose services are valued & considered vital to the operations & continued growth of the Group
- Motivate employees towards improved performance
- Reward employees by allowing them to participate in the Group’s profitability & eventually realise any capital gains arising from appreciation in the value of the shares.

SUSTAINABILITY STATEMENT

SOCIAL



Recreational & Sporting Activities

To strike a balance between work & play, our Corporate Office sponsors weekly sporting activities to encourage a healthy lifestyle & promote teamwork, such as:

- jazzercise
- yoga
- Tai Chi

We have an established Sports Club that organises recreational activities for its members, such as:

- badminton
- family days
- outings
- short trips
- charitable activities



SUSTAINABILITY STATEMENT

SOCIAL



COMMUNITY DEVELOPMENT



Project Leader – The Vyne & PR1MA Homes

“The Vyne is a low density condominium development that features the use of IBS & water efficiency management in the form of rainwater harvesting & water efficient fittings. Other features at The Vyne to complement current lifestyle include lush greenery & water element within the landscaped park, GBI certification, multi-tier 24 hours security & a clubhouse with extensive facilities including space allocation for kindergarten, convenience store & multi-purpose hall.

The IBS is also used in our PR1MA homes. Compared to a conventional design, the standalone car park podium nestles between the apartment blocks to provide a better aesthetic view.”

We are proud to be a part of the National Land Public Transport Master Plan through our participation in MRT Line 1 & 2 – V2 & V206 projects. This allowed us to contribute in enhancing the quality of life in Malaysian society through close engagements and interactions, as well as promote social welfare in areas where we operate in.

The PR1MA 1A & 2A housing development is our affordable housing contribution to help ease the cost of living of local communities. We have also provided access to public transport such as sheltered taxi stands and dedicated walkways, and made considerations towards identifying strategic locations with surrounding community services when selecting areas for property development.



In the News: Move to Address issues in Seri Kembangan

The Star Online, 15 February 2018 – A new ancestral shrine was built as the original shrine was impeding the MRT Line 2 – V206 construction. It is disclosed that the construction of the new shrine would be fully funded & built by Gadang Holdings Berhad at the cost of RM 10,000. Gratitude was expressed to Tan Sri Kok Onn for his generosity & contribution.

The Company has made many monetary contributions to support people with mental health disorders in collaboration with Pertubuhan Kebajikan Mental Selangor and Pertubuhan Kebajikan Skizofrenia Malaysia, as well as donating laptops to underprivileged students. We have also sponsored associations and institutions such as the University Tunku Abdul Rahman (“UTAR”) Sungai Long Chinese Orchestra, Suara Inland Revenue Officers’ Union, and Yayasan Bursa Malaysia. GESB has made donations to associations for festive-season celebrations and contributed to foundations such as the Malaysian Liver Foundation, Yayasan Sin Chew and Malaysia Blood Donors Society.

LOOKING FORWARD

We aim to enhance our development programmes and trainings to increase our employees’ skills and performance, hence delivering quality work. Our initiatives will also include proper health and safety measures to achieve our targets. We also strive to keep our employees content through great career prospects and activities. This includes promoting women in our industry through fair practices and equal opportunities.



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 2018.

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 except for the discontinuance of operations of the Plantation Division as disclosed in Note 42 to the financial statements.

RESULTS

	The Group RM	The Company RM
Profit after taxation from continuing operations	97,077,387	22,579,379
Loss after taxation from discontinued operations	(155,467)	-
	<u>96,921,920</u>	<u>22,579,379</u>
Attributable to:-		
Owners of the Company	96,909,197	22,579,379
Non-controlling interests	12,723	-
	<u>96,921,920</u>	<u>22,579,379</u>

DIVIDENDS

On 8 November 2017, the shareholders approved a first and final dividend of 3 sen per ordinary share for the financial year ended 31 May 2017, amounting to RM19,758,270 which was paid on 5 December 2017.

The directors proposed a first and final dividend of 3 sen per share for the financial year ended 31 May 2018 which is subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

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 2019.

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 issues of debentures by the Company; and
- (b) the Company increased its issued and paid-up share capital from RM331,678,178 to RM338,380,295 by way of:-
 - (i) an issuance of 50 new ordinary shares from the exercise of Warrants 2016/2021 at the exercise price of RM1.06 per warrant in accordance with the Deed Poll dated 11 November 2016; and

DIRECTORS' REPORT (Cont'd)

ISSUES OF SHARES AND DEBENTURES (CONT'D)

- (b) the Company increased its issued and paid-up share capital from RM331,678,178 to RM338,380,295 by way of:-
(Cont'd)
 - (ii) an issuance of 6,767,000 new ordinary shares from the exercise of options under the Company's Employees' Share Option Scheme at exercise prices of RM0.86 and RM1.03 per option.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of 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 26(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 ("Warranholders") 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) Warranholders 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 Warranholders 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 Warranholders exercise their Warrants for new ordinary shares of the Company.

DIRECTORS' REPORT (Cont'd)

WARRANTS 2016/2021 (CONT'D)

Movement in the Warrants since the listing and quotation thereof are as follows:

	Number of Warrants 2016/2021
At 1 June 2017	129,254,089
Exercised during the financial year	(50)
At 31 May 2018	129,254,039

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

DIRECTORS' REPORT (Cont'd)

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 other than the discontinuance of operations of the Plantation Division as disclosed in Note 42 to the financial statements.

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

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 (Appointed on 1.8.2017)
Adam Bin Bachek (Resigned on 1.8.2017)

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:-

<u>Construction Division</u>	<u>Property Division</u>	<u>Utility Division</u>	<u>Plantation Division</u> <u>(discontinued operations)</u>
Khew Check Kiet	Dato' Ling Hock Hing	Foo Mieng Yong	Yue Kham Wah
Chan Chee Wai	Dato' Takhiyuddin Bin Haji	Angga Panji Kesuma	(Resigned on 27.11.2017)
Dato' Chan Ah Kam @ Chan Ah Thoong	Abdullah	Chan Huan Beng	
Datuk Yasran Bin Haji Hussain (Resigned on 15.1.2018)	Kok Pei Shing	Drs. Barat Iriansyah	
Hew Thean Poh	Raja Zainal Abidin Bin Raja	Hero Dwi Prasetyo	
Lee Yoke Koon (Appointed on 15.11.2017)	Hussin	Ir. Joko Tripujono Sunaryo	
Liew Swee Kong		Masni Kamal	
Ng Kok Leong		Neo Lay Hiang Pamela	
Saw Chee Hoay		Rofik Sungkar	
Tan Peng Long (Resigned on 31.10.2017)		Reggy Hadi Wijaya	

DIRECTORS' REPORT (Cont'd)

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 31.5.2018
	At 1.6.2017	Acquired	Disposed	
Shareholdings registered in the name of Directors:				
Direct interests				
Tan Sri Dato' Kok Onn	4,664,700	5,285,900	-	9,950,600
Boey Tak Kong	1,736,300	63,700	-	1,800,000
Kok Pei Ling	652,200	652,200	-	1,304,400
Deemed interest*				
Tan Sri Dato' Kok Onn	168,843,353	150,000	-	168,993,353
Number of Warrants 2016/2021				
	At 1.6.2017	Acquired	Disposed	At 31.5.2018
Direct interest				
Boey Tak Kong	310,000	-	-	310,000
Number of Options over Ordinary Shares				
	At 1.6.2017	Granted	Exercised	At 31.5.2018
Direct interests				
Tan Sri Dato' Kok Onn	2,898,800	-	724,700	2,174,100
Boey Tak Kong	745,200	-	-	745,200
Kok Pei Ling	2,608,800	-	652,200	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 subsidiaries 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 48 to the financial statements.

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

DIRECTORS' REPORT (Cont'd)

DIRECTORS' REMUNERATION

The details of directors' remuneration are disclosed in Note 39 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors of the Group and of the Company were RM42,053,504 and RM204,996 respectively.

SUBSIDIARIES

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 53 to the financial statements.

DIRECTORS' REPORT (Cont'd)

AUDITORS

The auditors, Messrs. Crowe Malaysia (formerly known as Crowe Horwath), have expressed their willingness to continue in office.

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

Signed in accordance with a resolution of the directors dated 29 August 2018.

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 97 to 218 are drawn up in accordance with 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 2018 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 29 August 2018.

**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 97 to 218 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
Kok Pei Ling,
at Kuala Lumpur in the Federal Territory
on this 29 August 2018

KOK PEI LING

Before me

Lai Din (W668)
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 2018 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 97 to 218.

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 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with 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' Code of *Ethics for Professional Accountants ("IESBA Code")*, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

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

INDEPENDENT AUDITORS' REPORT

To The Members Of Gadang Holdings Berhad (Incorporated In Malaysia) (Cont'd)

Goodwill Impairment Refer to Note 4.5 and Note 13 to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Goodwill on consolidation as at 31 May 2018 amounted to RM17,100,853.</p> <p>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.</p> <p>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.</p> <p>Further details are shown in Note 13 to the financial statements.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> • Reviewed management's estimates of the recoverable amount and tested the cash flows forecast for their accuracy; • Reviewed the key business drivers underpinning the cash flows forecast prepared to support the recoverable amount; • Evaluated the appropriateness and reasonableness of the key assumptions by considering prior budget accuracy, comparison to recent performance and our understanding of the business, trend analysis, and historical results; • Reviewed sensitivity analysis performed by management over the key assumptions to understand the impact of changes over the valuation model; and • Reviewed the adequacy of the Group's disclosures.

INDEPENDENT AUDITORS' REPORT

To The Members Of Gadang Holdings Berhad (Incorporated In Malaysia) (Cont'd)

Revenue Recognition for Construction Contracts Refer to Note 4.22(a) and Note 34 to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
<p>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.</p> <p>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.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> • Read key contracts and discussed with management to obtain full understanding of the terms and risks to assess our consideration of whether revenue was appropriately recognised. • Assessed the management's assumptions in determining the percentage of completion of projects, estimations of revenue and costs, provisions for foreseeable losses, liquidated and ascertained damages as well as recoverability of billed receivables. • Assessed the reasonableness of percentage of completion by comparing to certification by external parties. • Reviewed estimated profit and costs to complete and adjustments for job costing and potential contract losses. • Tested costs incurred to date to supporting documentation such as contractors' claim certificates.

INDEPENDENT AUDITORS' REPORT

To The Members Of Gadang Holdings Berhad (Incorporated In Malaysia) (Cont'd)

Revenue Recognition for Property Development Activities Refer to Note 4.22(b) and Note 34 to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The Group recognises property development revenue using the stage of completion method. The stage of completion is determined by the proportion of property development costs incurred for work performed to date over the estimated total property development costs.</p> <p>Accounting for property development activities is inherently complex and there is judgment involved in the following areas:-</p> <ul style="list-style-type: none"> • determination of stage of completion • estimated total property development costs and costs to be incurred to complete a project <p>We determined this to be a key audit matter given the complexity and judgmental nature of these activities.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> • Assessed the reasonableness of percentage of completion by comparing to certification by external parties. • Reviewed estimated profit and costs to complete and adjustments for job costing and potential contract losses. • Tested costs incurred to date to supporting documentation such as contractors' claim certificates. • 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. • For ongoing projects, checked for any variation orders and checked that changes to contracts and quotations with the contractors, if any, are properly supported. • Validated the stage of completion by reference to the actual costs incurred to date. • Tested sales of properties to signed sales and purchase agreements and billings raised to property buyers. • 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) (Cont'd)

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

INDEPENDENT AUDITORS' REPORT

To The Members Of Gadang Holdings Berhad (Incorporated In Malaysia) (Cont'd)

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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.

INDEPENDENT AUDITORS' REPORT

To The Members Of Gadang Holdings Berhad (Incorporated In Malaysia) (Cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

Crowe Malaysia
Firm No: AF 1018
Chartered Accountants

Chua Wai Hong
Approval No: 02974/09/2019 J
Chartered Accountant

Kuala Lumpur
29 August 2018

STATEMENTS OF FINANCIAL POSITION

As At 31 May 2018

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
Non-current assets					
Investments in subsidiaries	5	-	-	118,715,615	126,082,617
Investment in an associate	6	-	-	-	-
Investment in joint ventures	7	1,481,051	37,456	-	-
Concession assets	8	117,155,823	91,619,086	-	-
Property, plant and equipment	9	73,782,523	63,646,029	392,059	276,660
Investment properties	10	78,849,312	15,984,377	-	-
Land held for property development	11	3,897,203	3,889,309	-	-
Non-trade receivables	17	2,427,284	2,593,228	104,932,964	101,725,284
Other investments	12	100,000	100,000	-	-
Goodwill on consolidation	13	17,100,853	18,429,554	-	-
Deferred tax assets	14	16,355,025	6,244,688	-	-
		311,149,074	202,543,727	224,040,638	228,084,561
Current assets					
Inventories	15	69,806,104	979,982	-	-
Property development costs	16	834,280,713	731,018,747	-	-
Trade and non-trade receivables	17	155,030,209	183,177,887	107,887,893	80,298,627
Amounts owing by contract customers	20	48,884,702	24,695,054	-	-
Current tax assets		5,424,231	6,632,429	-	-
Short term funds	21	54,367,780	59,434,935	1,012,489	21,187,723
Deposits with licensed banks	22	92,542,024	87,908,616	13,629,330	22,010,349
Cash and bank balances	23	131,016,957	114,571,701	25,666,610	7,250,506
		1,391,352,720	1,208,419,351	148,196,322	130,747,205
Assets classified as held for sale	24	-	15,521,021	-	-
TOTAL ASSETS		1,702,501,794	1,426,484,099	372,236,960	358,831,766

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

STATEMENTS OF FINANCIAL POSITION

As At 31 May 2018 (Cont'd)

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
EQUITY AND LIABILITIES					
Equity					
Share capital	25	338,380,295	331,678,178	338,380,295	331,678,178
Reserves	26	366,503,796	291,489,981	32,608,406	26,284,174
Total equity attributable to owners of the Company		704,884,091	623,168,159	370,988,701	357,962,352
Non-controlling interests	27	4,324,051	8,002,950	-	-
Total equity		709,208,142	631,171,109	370,988,701	357,962,352
Non-current liabilities					
Bank borrowings	28	219,856,075	143,819,295	-	-
Deferred tax liabilities	14	4,773,076	6,448,689	-	-
Defined benefit obligations	31	2,507,459	2,038,569	-	-
Non-trade payables	32	272,666,117	243,554,118	-	-
		499,802,727	395,860,671	-	-
Current liabilities					
Amounts owing to contract customers	20	4,572,565	18,843,497	-	-
Trade and non-trade payables	32	421,049,539	327,167,310	698,486	831,262
Bank borrowings	28	63,554,939	48,770,858	-	-
Current tax liabilities		4,313,882	4,149,633	549,773	38,152
		493,490,925	398,931,298	1,248,259	869,414
Liabilities classified as held for sale	24	-	521,021	-	-
Total liabilities		993,293,652	795,312,990	1,248,259	869,414
TOTAL EQUITY AND LIABILITIES		1,702,501,794	1,426,484,099	372,236,960	358,831,766
NET ASSETS PER ORDINARY SHARE (RM)					
	33	1.07	0.95		

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

STATEMENTS OF PROFIT OR LOSS

For The Financial Year Ended 31 May 2018

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Continuing operations:					
Revenue	34	596,059,109	553,866,106	40,906,000	51,593,000
Cost of sales	35	(397,904,237)	(366,896,090)	-	-
Gross profit		198,154,872	186,970,016	40,906,000	51,593,000
Other income	36	17,314,095	14,471,151	7,902,986	5,875,169
Administrative expenses		(31,802,828)	(25,092,163)	(7,285,344)	(7,914,044)
Depreciation and amortisation		(6,413,113)	(6,061,907)	(48,256)	(30,817)
Operating expenses		(24,703,840)	(23,379,957)	(3,133,363)	(2,580,218)
Other expenses		(19,034,423)	(3,093,847)	(14,188,228)	(3,679,311)
Profit from operations		133,514,763	143,813,293	24,153,795	43,263,779
Finance costs	40	(1,824,147)	(2,295,537)	-	-
Share of results in joint ventures		934,105	36,945	-	-
Profit before taxation	37	132,624,721	141,554,701	24,153,795	43,263,779
Income tax expense	41	(35,547,334)	(37,995,808)	(1,574,416)	(475,548)
Net profit after taxation from continuing operations		97,077,387	103,558,893	22,579,379	42,788,231
Discontinued operations:					
Loss after taxation from discontinued operations	42	(155,467)	(2,952,473)	-	-
Net profit for the year		96,921,920	100,606,420	22,579,379	42,788,231
Profit after taxation attributable to:					
Owners of the Company		96,909,197	100,116,126	22,579,379	42,788,231
Non-controlling interests		12,723	490,294	-	-
		96,921,920	100,606,420	22,579,379	42,788,231
Earnings per share (sen)					
Basic:					
- continuing operations	43	14.73	15.90		
- discontinued operations	43	(0.02)	(0.46)		
Diluted:					
- continuing operations	43	14.15	15.58		
- discontinued operations	43	(0.02)	(0.45)		

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

STATEMENTS OF OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 May 2018

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Profit after taxation		96,921,920	100,606,420	22,579,379	42,788,231
Other comprehensive income:- <u>Items that will not be reclassified</u> <u>subsequently to profit or loss</u>					
Actuarial loss on defined benefit obligations	31	(425,279)	(20,297)	-	-
Less: Deferred tax effect		54,053	1,300	-	-
		(371,226)	(18,997)	-	-
<u>Item that may be reclassified</u> <u>subsequently to profit or loss</u>					
Foreign currency translation		(6,506,412)	3,178,866	-	-
Total comprehensive income for the financial year		90,044,282	103,766,289	22,579,379	42,788,231
Total comprehensive income attributable to:					
Owners of the Company		90,483,322	103,027,383	22,579,379	42,788,231
Non-controlling interests		(439,040)	738,906	-	-
		90,044,282	103,766,289	22,579,379	42,788,231

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

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 May 2018

	Share capital RM	Share option reserves RM	Capital reserves RM	Share premium RM	Foreign exchange translation reserves RM	Retained profits RM	Total RM	Non-controlling interests RM	Total equity RM
The Group									
Balance at 1.6.2016	258,623,378	-	1,346,681	38,041,453	(1,158,001)	232,248,968	529,102,479	7,264,044	536,366,523
Profit after taxation for the financial year	-	-	-	-	-	100,116,126	100,116,126	490,294	100,606,420
Other comprehensive income for the financial year:									
- Actuarial loss on defined benefit obligations	-	-	-	-	-	(18,997)	(18,997)	-	(18,997)
- Foreign currency translation differences	-	-	-	-	2,930,254	-	2,930,254	248,612	3,178,866
Total comprehensive income for the financial year	-	-	-	-	2,930,254	100,097,129	103,027,383	738,906	103,766,289
Balance carried forward	258,623,378	-	1,346,681	38,041,453	1,772,253	332,346,097	632,129,862	8,002,950	640,132,812

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

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 May 2018 (Cont'd)

	Share capital RM	Share option reserves RM	Capital reserves RM	Share premium RM	Foreign exchange translation reserves RM	Retained profits RM	Total RM	Non- controlling interests RM	Total equity RM
The Group									
Balance brought forward	258,623,378	-	1,346,681	38,041,453	1,772,253	332,346,097	632,129,862	8,002,950	640,132,812
Contributions by and distribution to owners of the Company:									
- Dividend (Note 46)	-	-	-	-	-	(18,103,636)	(18,103,636)	-	(18,103,636)
- Bonus issue of shares	64,655,844	-	-	(38,041,453)	-	(26,614,391)	-	-	-
- Issuance of shares upon exercise of warrants	61,056	-	-	-	-	-	61,056	-	61,056
- Issuance of shares upon exercise of ESOS	7,170,594	-	-	-	-	-	7,170,594	-	7,170,594
- Recognition of share option expenses	-	1,910,283	-	-	-	-	1,910,283	-	1,910,283
- Transfer to share capital for ESOS exercised	1,167,306	(1,167,306)	-	-	-	-	-	-	-
Total transactions with owners	73,054,800	742,977	-	(38,041,453)	-	(44,718,027)	(8,961,703)	-	(8,961,703)
Balance at 31.5.2017	331,678,178	742,977	1,346,681	-	1,772,253	287,628,070	623,168,159	8,002,950	631,171,109

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

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 May 2018 (Cont'd)

The Group	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 at 1.6.2017	331,678,178	742,977	1,346,681	1,772,253	287,628,070	623,168,159	8,002,950	631,171,109
Profit after taxation for the financial year	-	-	-	-	96,909,197	96,909,197	12,723	96,921,920
Other comprehensive income for the financial year:								
- Actuarial loss on defined benefit obligations	-	-	-	-	(371,226)	(371,226)	-	(371,226)
- Foreign currency translation differences	-	-	-	(6,054,649)	-	(6,054,649)	(451,763)	(6,506,412)
Total comprehensive income for the financial year	-	-	-	(6,054,649)	96,537,971	90,483,322	(439,040)	90,044,282
Balance carried forward	331,678,178	742,977	1,346,681	(4,282,396)	384,166,041	713,651,481	7,563,910	721,215,391

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

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 May 2018 (Cont'd)

	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
The Group								
Balance brought forward	331,678,178	742,977	1,346,681	(4,282,396)	384,166,041	713,651,481	7,563,910	721,215,391
Contributions by and distribution to owners of the Company:								
- Dividend (Note 46)	-	-	-	-	(19,758,270)	(19,758,270)	-	(19,758,270)
- Issuance of shares upon exercise of ESOS	5,822,681	-	-	-	-	5,822,681	-	5,822,681
- Issuance of shares upon exercise of warrants	53	-	-	-	-	53	-	53
- Acquisition of a subsidiary - Changes in ownership interest in a subsidiary (effects of change in stake)	-	-	-	-	785,640	785,640	(3,285,640)	(2,500,000)
- Recognition of share option expenses	-	4,382,506	-	-	-	4,382,506	-	4,382,506
- ESOS lapsed	-	(525,233)	-	-	525,233	-	-	-
- Transfer to share capital for ESOS exercised	879,383	(879,383)	-	-	-	-	-	-
Total transactions with owners	6,702,117	2,977,890	-	-	(18,447,397)	(8,767,390)	(3,239,859)	(12,007,249)
Balance at 31.5.2018	338,380,295	3,720,867	1,346,681	(4,282,396)	365,718,644	704,884,091	4,324,051	709,208,142

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

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 May 2018 (Cont'd)

The Company	Share capital RM	Share premium RM	Share option reserves RM	Retained profits RM	Total RM
Balance at 1.6.2016	258,623,378	38,041,453	-	27,470,993	324,135,824
Profit after taxation for the financial year	-	-	-	42,788,231	42,788,231
Contributions by and distribution to owners of the Company:					
- Issuance of shares upon exercise of ESOS	7,170,594	-	-	-	7,170,594
- Issuance of shares upon exercise of warrants	61,056	-	-	-	61,056
- Bonus issue of shares	64,655,844	(38,041,453)	-	(26,614,391)	-
- Recognition of share option expenses	-	-	1,910,283	-	1,910,283
- Transfer to share capital for ESOS exercised	1,167,306	-	(1,167,306)	-	-
- Dividend (Note 46)	-	-	-	(18,103,636)	(18,103,636)
Total transactions with owners	73,054,800	(38,041,453)	742,977	(44,718,027)	(8,961,703)
Balance at 31.5.2017	331,678,178	-	742,977	25,541,197	357,962,352

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

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 May 2018 (Cont'd)

	Share capital RM	Share premium RM	Share option reserves RM	Retained profits RM	Total RM
The Company					
Balance at 1.6.2017	331,678,178	-	742,977	25,541,197	357,962,352
Profit after taxation for the financial year	-	-	-	22,579,379	22,579,379
Contributions by and distribution to owners of the Company:					
- Issuance of shares upon exercise of ESOS	5,822,681	-	-	-	5,822,681
- Issuance of shares upon exercise of warrants	53	-	-	-	53
- Recognition of share option expenses	-	-	4,382,506	-	4,382,506
- ESOS lapsed	-	-	(525,233)	525,233	-
- Transfer to share capital for ESOS exercised	879,383	-	(879,383)	-	-
- Dividend (Note 46)	-	-	-	(19,758,270)	(19,758,270)
Total transactions with owners	6,702,117	-	2,977,890	(19,233,037)	(9,553,030)
Balance at 31.5.2018	338,380,295	-	3,720,867	28,887,539	370,988,701

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

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 May 2018

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from operating activities				
Profit before tax:				
- continuing operations	132,624,721	141,554,701	24,153,795	43,263,779
- discontinued operations	(155,467)	(2,952,473)	-	-
Adjustments for:				
Accretion of interest on:				
- trade and non-trade receivables	(2,170,934)	824,229	-	-
- amounts owing by subsidiaries	-	-	(1,828,435)	746,228
- trade and non-trade payables	3,074,789	353,326	-	-
- amount owing to a director	(15,813)	(16,777)	-	-
Amortisation on biological assets	-	687,309	-	-
Bad debts recovered	(614,402)	(7,100)	-	-
Bad debts written off	59,290	106,003	4,959,100	-
Concession assets written off	7,337	323,637	-	-
Depreciation of:				
- concession assets	2,715,612	2,518,438	-	-
- investment properties	732,023	226,800	-	-
- property, plant and equipment	19,619,503	18,995,652	48,256	30,817
Dividend received from subsidiaries	-	-	(32,200,000)	(45,000,000)
Dividend received from short term funds	(2,260,769)	(2,699,402)	(456,102)	(1,201,195)
(Reversal)/Impairment loss on:				
- assets held for sale	(1,211,210)	1,211,210	-	-
- inventories	2,540,272	-	-	-
- investment in subsidiaries	-	-	(2,859,537)	2,859,537
- investment properties	1,197,000	-	-	-
- trade and non-trade receivables	6,750,000	137,476	6,750,000	-
Increase/(Decrease) in liability for defined benefit obligations	43,611	10,405	-	-
Interest expense	3,646,251	3,917,702	-	-
Interest income	(5,244,473)	(4,902,096)	(5,565,760)	(3,669,769)

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

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 May 2018 (Cont'd)

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from operating activities (Cont'd)				
Adjustments for: (Cont'd)				
Inventories written off	128	-	-	-
Loss on disposal of concession assets	97,494	-	-	-
Loss on disposal of a subsidiary	1,304,255	-	2,819,509	-
Net gain on disposal of property, plant and equipment	(904,013)	(3,997,022)	-	-
Net unrealised loss/(gain) on foreign exchange	3,941,427	(1,138,717)	2,506,367	(997,384)
Share of results in joint ventures	(934,105)	(36,945)	-	-
Share option expenses	4,382,506	1,910,283	1,016,764	1,910,283
Share option expenses charged to subsidiaries	-	-	(1,487,707)	-
Property, plant and equipment written off	45,927	1,018,400	-	-
Waiver of liability	(35,581)	(168,635)	-	-
Operating profit/(loss) before working capital changes	169,235,379	157,876,404	(2,143,750)	(2,057,704)
Changes in working capital:				
(Increase)/Decrease in amounts owing by/(to) contracts customers	(38,460,580)	1,233,856	-	-
(Increase)/Decrease in inter-company balances	-	-	(3,538,634)	(10,821,810)
(Increase)/Decrease in inventories	(71,366,522)	2,259,666	-	-
Increase/(Decrease) in payables	119,841,043	185,259,775	(82,777)	340,642
(Increase)/Decrease in property development costs	(103,269,860)	(246,210,454)	-	-
(Increase)/Decrease in receivables	30,806,389	(12,184,970)	(68,248)	(50,901)
Cash generated from operations	106,785,849	88,234,277	(5,833,409)	(12,589,773)
Net income tax paid	(43,949,732)	(50,238,626)	(1,062,795)	(458,657)
Net Operating Cash Flows	62,836,117	37,995,651	(6,896,204)	(13,048,430)

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

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 May 2018 (Cont'd)

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from investing activities				
Acquisition of:				
- concession assets	(39,157,175)	(31,615,107)	-	-
- property, plant and equipment (Note 47(a))	(4,805,524)	(4,715,152)	(163,655)	(113,956)
- investment properties	(58,043,958)	(3,724,052)	-	-
Dividends received from subsidiaries	-	-	32,200,000	45,000,000
Dividends received from short term funds	2,260,769	2,699,402	456,102	1,201,195
Interest received	5,244,473	4,902,096	330,472	331,207
Additional investment in an existing joint venture	(509,490)	-	-	-
Acquisition of joint ventures	-	(511)	-	-
Additional investment in an existing subsidiary	-	-	(29,548)	-
Acquisition of subsidiaries:				
- investment in a new subsidiary (Note 44.1)	60,036	-	-	(11,993)
- acquisition of additional equity interest in a subsidiary from non-controlling interest (Note 44.2)	(2,500,000)	-	(2,500,000)	-
Proceeds from disposal of:				
- assets held for sale (Note 45(b))	1,497,623	-	1,500,000	-
- concession assets	1,587,091	807,302	-	-
- property, plant and equipment	1,635,314	10,267,989	-	-
Net Investing Cash Flows	(92,730,841)	(21,378,033)	31,793,371	46,406,453

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

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 May 2018 (Cont'd)

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from financing activities				
Dividends paid	(19,758,270)	(18,103,636)	(19,758,270)	(18,103,636)
Drawdown of bank borrowings	107,754,312	10,980,786	-	-
Fixed deposits pledged as security values	(7,238,587)	2,333,137	(822,587)	(269,968)
Interest paid	(3,646,251)	(3,917,702)	-	-
Interest income	-	-	5,235,288	3,338,562
Proceeds from issuance of:				
- warrants exercised	53	61,056	53	61,056
- ESOS exercised	5,822,681	7,170,594	5,822,681	7,170,594
Advances to subsidiaries	-	-	(26,076,654)	(69,795,195)
Repayment of:				
- bank borrowings	(31,990,658)	(30,640,382)	-	-
- hire purchase payables	(7,188,449)	(18,044,647)	-	-
Net Financing Cash Flows	43,754,831	(50,160,794)	(35,599,489)	(77,598,587)
Net change in cash and cash equivalents	13,860,107	(33,543,176)	(10,702,322)	(44,240,564)
Effect of exchange rate changes on cash and cash equivalents	(6,017,682)	2,260,563	(260,414)	13,008
Cash and cash equivalents at the beginning of the financial year	201,221,319	232,503,932	39,925,397	84,152,953
Cash and cash equivalents at the end of the financial year (Note 47(c))	209,063,744	201,221,319	28,962,661	39,925,397

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018

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 29 August 2018.

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 except for the discontinuance of operations of the Plantation Division in Note 42 to the financial statements.

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 Financial Reporting Standards ("FRSs") 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):-

FRSs and/or IC Interpretations (Including the Consequential Amendments)

Amendments to FRS 107: Disclosure Initiative

Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to FRS Standards 2014 – 2016 Cycles: Amendments to FRS 12: Clarification of the Scope of the Standard

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:-

Amendments to FRS 107: Disclosure Initiative

The amendments to FRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between opening and closing balances of these items is provided in Note 47(b) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

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:-

FRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective Date
FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 4: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to FRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to FRS Standards 2014 – 2016 Cycles:	
• Amendments to FRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to FRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

As disclosed in Note 3.3 to the financial statements, the Group will be applying the Malaysian Financial Reporting Standards Framework in the next financial year. Therefore, the Group will not be adopting the above FRS, Interpretations and Amendments to FRSs.

- 3.3 On 30 November 2017, MASB issued notice of withdrawal of FRSs for the application on financial statements with annual reporting period beginning on or after 1 January 2018. Therefore, the Group has decided to adopt the MFRS Framework effective 1 June 2018.

In preparing the first MFRS financial statements in accordance with MFRS 1 '*First-time Adoption of Malaysian Financial Reporting Standards*' ("MFRS 1"), adjustments will be made to the financial statements of the Group for the current financial year to ensure the comparative financial information in the first MFRS financial statements is comparable. Accordingly, the financial performance and financial position of the Group as presented in these financial statements could be different if prepared in accordance with MFRS. The adjustments required on transition are expected to be made retrospectively other than those exempted under MFRS 1.

The Group is currently assessing the impact of adopting MFRS 1, including identification of the differences in the existing accounting policies as compared to the MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the potential impact of the application of MFRS 1 cannot be determined and estimated reliably until the assessment is completed later.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Critical Accounting Estimates and Judgements

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made. The carrying amount of current tax assets and current tax liabilities as at the reporting date are RM5,424,231 (2017 - RM6,632,429) and RM4,313,882 (2017 - RM4,149,633) respectively.

(b) Impairment of Investment Properties

The Group determines whether its investment properties is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of investment properties as at the reporting date is disclosed in Note 10 to the financial statements.

(c) Property Development

The Group recognised property development revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that the property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. The carrying amount of property development costs as at the reporting date is disclosed in Note 16 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Critical Accounting Estimates and Judgements (Cont'd)

Key Sources of Estimation Uncertainty (Cont'd)

(d) Construction Contracts

Significant judgement is required in determining the stage of completion of a construction contract, the extent of the construction costs incurred, the estimation of the variation works and total budgeted construction costs, as well as the recoverability of the construction project. In making the judgement, management evaluates based on experience and by relying the works of specialists. The amount owing by/(to) contract customers as at the reporting date is 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 13 to the financial statements.

(f) Impairment of Trade and Non-trade Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its trade and non-trade receivables and analyses their ageing profiles, historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables. The carrying amount of trade and non-trade receivables as at the reporting date is disclosed in Note 17 to the financial statements.

(g) 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 15 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Critical Accounting Estimates and Judgements (Cont'd)

Key Sources of Estimation Uncertainty (Cont'd)

(h) 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 amount of deferred tax assets and deferred tax liabilities as at the reporting date is disclosed in Note 14 to the financial statements.

(i) Valuation of Properties

Properties of the Group are reported at fair value which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates. The carrying amount of property, plant and equipment measured at revaluation as at the reporting date is disclosed in Note 9 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 period ranges 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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

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 investment 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 property.

(b) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

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 is based on management's view of the expected outcome on contingencies, after consulting legal counsel for litigation cases and experts, for matters in the ordinary course of business. Furthermore, the directors are of the view that the chances of the financial institutions to call upon the corporate guarantees issued by the Group and the Company are remote.

(d) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(e) 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 FRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Financial Instruments (Cont'd)

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) *Financial Assets at Fair Value through Profit or Loss*

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

(ii) *Held-to-maturity Investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

(iii) *Loans and Receivables Financial Assets*

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Financial Instruments (Cont'd)

(a) Financial Assets (Cont'd)

(iii) *Loans and Receivables Financial Assets (Cont'd)*

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) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) *Available-for-sale Financial Assets*

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(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. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Financial Instruments (Cont'd)

(b) Financial Liabilities (Cont'd)

(ii) *Other Financial Liabilities*

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and 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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Financial Instruments (Cont'd)

(e) Financial Guarantee Contracts (Cont'd)

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 best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised less cumulative amortisation.

4.3 Functional and Foreign Currencies

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Functional and Foreign Currencies (Cont'd)

(c) Foreign Operations (Cont'd)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to foreign operation is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

4.4 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

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.

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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Basis of Consolidation (Cont'd)

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.

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.

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 FRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business Combinations from 1 June 2011 Onwards

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.

Business Combinations before 1 June 2011

All subsidiaries are consolidated using the purchase method. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Non-controlling interests are initially measured at their share of the fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

Business Combinations from 1 June 2011 Onwards

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.

Business Combinations before 1 June 2011

Under the purchase method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

If after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised as income immediately in profit or loss.

Interest on Associates and Joint Ventures

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

(a) 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.

Investments in subsidiaries are stated at fair value in accordance with FRS 139 and are classified as available-for-sale financial assets.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Investments in Subsidiaries (Cont'd)

(c) Disposal of subsidiaries

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.7 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 2018. The Group's share of the post-acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest 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.

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 FRS 139. 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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

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 2018. The Group's share of the post-acquisition profits and other comprehensive income of the joint venture is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that joint control commences up to the effective date when the investment ceases to be a joint venture or when the investment is classified as held for sale. The Group's interest in the joint venture is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

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 FRS 139. 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 FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

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.

Freehold land is stated at valuation less impairment losses recognised after the date of the revaluation. Freehold buildings are stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation.

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 has an unlimited useful life and therefore not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The principal annual rates used for this purpose are:-

Leasehold land	Over lease period
Buildings	2% - 12.5%
Plant and machinery	10% - 20%
Tools and equipment	10% - 20%
Office equipment	10% - 25%
Furniture and fittings	10%
Motor vehicles	10% - 25%
Renovation	10% - 25%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Impairment

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss, investments in subsidiaries and investments in associates and joint venture), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity into profit or loss.

With the exception of available-for-sale debt instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which FRS 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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

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 held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business and not occupied by the Group.

Investment properties are initially measured at cost, including related transaction costs and borrowing costs if the investment properties meet the definition of a qualifying asset. 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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 Inventories

- (a) 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.

- (b) 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 Land Held for Property Development and Property Development Costs

(a) Land Held for Property Development

Land held for property development consists of land where no development activities are carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and carried at cost less accumulated impairment losses, if any.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Pre-acquisition costs are charged to profit or loss as incurred unless such costs are directly identifiable to the consequent property development activity.

Land held for property development is classified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(b) 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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Land Held for Property Development and Property Development Costs (Cont'd)

(b) Property Development Costs (Cont'd)

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.

The excess of revenue recognised in the profit or loss over billings to purchasers is shown as accrued billings under trade and non-trade receivables and the excess of billings to purchasers over revenue recognised in profit or loss is shown as progress billings under trade and non-trade payables.

4.14 Amounts Owing by/(to) Contract Customers

Where the amounts of construction contract costs incurred plus recognised profits (less recognised losses) exceed progress billings, the net balance is shown as amounts owing by contract customers under current assets. Where the progress billings exceed the sum of construction contract costs incurred and recognised profits (less recognised losses), the net balance is shown as amounts owing to contract customers under current liabilities.

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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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).

(b) Deferred Tax

Deferred tax are 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.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in non-trade receivables or non-trade payables.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 statement 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.

4.19 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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 Employee Benefits (Cont'd)

(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.

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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

4.22 Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable, net of returns, goods and services tax, cash and trade discounts.

(a) Construction Contracts

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.22 Revenue and Other Income (Cont'd)

(b) Property Development Revenue

Revenue from property development is recognised from the sale of completed and uncompleted development properties.

Revenue from sale of completed development properties is recognised upon the transfer of significant risks and rewards of ownership to the customers.

Revenue on uncompleted development properties contracted for sale is recognised based on the stage of completion method unless the outcome of the development cannot be reliably determined in which case the revenue on the development is only recognised to the extent of development costs incurred that are recoverable.

The stage of completion is determined based on the proportion that the development costs incurred for work performed to date bear to the estimated total development costs.

Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the development will result in a loss.

(c) Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

(d) Management Fee and Administrative Charges

Management fee and administrative charges are recognised upon performance of services.

(e) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

(f) Dividend Income

Dividend income from investments is recognised when the right to receive payment is established.

(g) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(h) Water Concession

Revenue from water concession is recognised upon transfer of treated water as measured by the meter in the water treatment plant.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.23 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.

4.24 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.

4.25 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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.26 Non-Current Assets Held for Sale and Discontinued Operations

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Upon classification as held for sale, non-current assets or components of a disposal group are not depreciated and are measured at the lower of their carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

A discontinued operations is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operations occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operations, the comparative statement of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

4.27 Leased Assets

Finance Lease

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability, net of finance charges, is included in the statement of financial position as bank borrowings.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as investment properties.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2018 RM	2017 RM
Unquoted shares, at cost	108,199,391	105,669,843
Amount owing by subsidiaries	14,372,774	31,982,311
Share options granted to employees of subsidiaries	4,853,450	-
	127,425,615	137,652,154
Allowance for impairment loss	(8,710,000)	(11,569,537)
	118,715,615	126,082,617
Allowance for impairment loss:-		
At 1 June	(11,569,537)	(8,710,000)
Addition during the financial year	-	(2,859,537)
Reversal upon disposal of a subsidiary	2,859,537	-
At 31 May	(8,710,000)	(11,569,537)

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		Principal Activities
		2018	2017	
Gadang Engineering (M) Sdn Bhd and its subsidiaries	Malaysia	100%	100%	Earthwork, building and civil engineering and construction work contractors and investment holding
Bincon Sdn Bhd	Malaysia	100%	100%	Hire of plant and machinery
Era Berkat Sdn Bhd *	Malaysia	100%	100%	Dormant
Katah Realty Sdn Bhd	Malaysia	100%	100%	Building and civil engineering construction works

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiary	Principal Place of Business / Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2018	2017	
Gadang Engineering (M) Sdn Bhd and its subsidiaries (Cont'd)				
Kartamo Corporation Sdn Bhd	Malaysia	100%	100%	Building and civil engineering construction works
Gadang Construction Sdn Bhd	Malaysia	100%	100%	Earthwork, building and civil engineering construction 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%	-	Yet to commence business since date of incorporation
Asian Utilities Pte Ltd * and its subsidiaries	Singapore	100%	100%	Investment holding
PT Taman Tirta Sidoarjo *	Indonesia	95%	95%	Water concession
PT Bintang Hytien Jaya *	Indonesia	95%	95%	Water concession
PT Hanarida Tirta Birawa *	Indonesia	95%	95%	Water concession
PT Ikhwan Mega Power *	Indonesia	60%	60%	Power concession
PT Dewata Bangun Tirta *	Indonesia	95%	95%	Water concession
PT Hidronusa Rawan Energi *	Indonesia	80%	80%	Power concession
Datapuri Sdn Bhd	Malaysia	100%	51%	Provision of mechanical and electrical engineering services
Mandy Corporation Sdn Bhd	Malaysia	100%	100%	Property development, building and civil engineering contractor

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiary	Principal Place of Business / Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2018	2017	
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
Gadang Properties Sdn Bhd and its subsidiary	Malaysia	100%	100%	Property development and investment holding
Buildmark Sdn Bhd *	Malaysia	100%	100%	Property development

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiary	Principal Place of Business / Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2018	2017	
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 * and its subsidiaries	Malaysia	100%	100%	Dormant
GLP Manufacturing (M) Sdn Bhd ^	Malaysia	-	100%	Struck off
Gadang Plantations Holdings Sdn Bhd * and its subsidiaries	Malaysia	100%	100%	Investment holding
Desiran Impian Sdn Bhd	Malaysia	-	100%	Oil palm plantation, disposed of
Jauhari Mahir Sdn Bhd *	Malaysia	100%	100%	In the process of striking off

* Not audited by Messrs. Crowe Malaysia.

^ The subsidiary has been struck off during the current financial year.

Changes in the Group Structure during the financial year

- (a) On 24 April 2018, GLP Manufacturing (M) Sdn Bhd, a dormant indirect wholly-owned subsidiary of the Company has been struck off from the register of the Companies Commission of Malaysia pursuant to Section 308(4) of the Companies Act 1965.
- (b) On 29 June 2017, the Company's wholly-owned subsidiary, Regional Utilities Sdn Bhd subscribed for 70% equity interest representing 139,999 ordinary shares in Nusantara Suriamas Sdn Bhd ("NSSB") for a total cash consideration of RM139,999. The remaining 30% equity interest in NSSB was subscribed by BT Solar Sdn Bhd. As a result of the subscription of shares, NSSB became an indirect 70% owned subsidiary of the Company. The details of the acquisition are disclosed in Note 44.1 to the financial statements.
- (c) On 16 April 2018, the Company acquired the remaining 49% equity interest in Datapuri Sdn Bhd ("Datapuri") from its non-controlling interest. Following the completion of the acquisition, Datapuri became a wholly-owned subsidiary of the Company during the current financial year. The details of the acquisition are disclosed in Note 44.2 to the financial statements.
- (d) On 10 July 2017, the Group disposed of its entire equity interest in Desiran Impian Sdn Bhd. The disposal was deemed completed on 27 November 2017. The details of the disposal are disclosed in Note 45 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest		The Group	
	2018	2017	2018 RM	2017 RM
Datapuri Sdn Bhd	-	49%	-	3,163,680
PT Hidronusa Rawan Energi	20%	20%	1,830,672	2,082,478
Other individual immaterial subsidiaries			2,493,379	2,756,792
			4,324,051	8,002,950

The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	Datapuri Sdn Bhd	
	2018 RM	2017 RM
<u>At 31 May</u>		
Non-current assets	-	2,132,718
Current assets	-	30,035,571
Non-current liabilities	-	(2,517,513)
Current liabilities	-	(23,140,262)
Net assets	-	6,510,514
<u>Financial year ended 31 May</u>		
Revenue	-	39,302,818
Profit for the financial year	-	332,518
Total comprehensive income	-	332,518
Total comprehensive income attributable to non-controlling interests	-	162,934
Net cash flows from/(for) operating activities	-	(3,049,049)
Net cash flows from/(for) investing activities	-	(37,507)
Net cash flows from/(for) financing activities	-	6,886,827

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

	PT Hidronusa Rawan Energi	
	2018 RM	2017 RM
<u>At 31 May</u>		
Non-current assets	1,629,308	1,812,970
Current assets	7,615,038	8,613,604
Current liabilities	(90,990)	(14,187)
Net assets	9,153,356	10,412,387
<u>Financial year ended 31 May</u>		
Revenue	-	-
Loss for the financial year	(130,213)	(63,356)
Total comprehensive income/(loss)	(1,259,031)	556,889
Total comprehensive income/(loss) attributable to non-controlling interests	(251,806)	111,378
Net cash flows from/(for) operating activities	(54,216)	(65,688)
Net cash flows from/(for) investing activities	-	(99,057)
Net cash flows from/(for) financing activities	80,080	1,027,200

6. INVESTMENT IN AN ASSOCIATE

	The Group	
	2018 RM	2017 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	Effective Equity Interest		Principal Activity
		2018	2017	
Maha Abadi Sdn Bhd	Malaysia	25%	25%	Dormant

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

7. INVESTMENT IN JOINT VENTURES

	The Group	
	2018 RM	2017 RM
Unquoted shares, at cost	510,001	511
Share of post-acquisition reserves	971,050	36,945
	1,481,051	37,456

The details of the joint ventures are as follows:-

Name of Joint Venture	Principal Place of Business/ Country of Incorporation	Effective Equity Interest		Principal Activities
		2018	2017	
Zeta Datapuri JV Sdn Bhd	Malaysia	45%	45%	Provision of mechanical and electrical engineering services
Gadang CRFG Consortium Sdn Bhd	Malaysia	51%	51%	Building and civil engineering construction works

- (a) The Group's involvement in joint arrangements are structured through separate vehicles which provide the Group rights to the net assets of the entities. Accordingly, the Group has classified these investments as joint ventures.
- (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 by all shareholders.
- (c) The summarised audited financial information (after the alignment for the Group's accounting policies) for each joint venture that is material to the Group is as follows:-

	Gadang CRFG Consortium Sdn Bhd	
	2018 RM	2017 RM
<u>At 31 May</u>		
Non-current assets	2,457,462	-
Current assets	28,909,149	-
Non-current liabilities	(149,620)	-
Current liabilities	(28,503,583)	-
Net assets	2,713,408	-

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

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:- (Cont'd)

	Gadang CRFG Consortium Sdn Bhd	
	2018 RM	2017 RM
<u>Financial year ended 31 May</u>		
Revenue	38,825,513	-
Depreciation of plant and equipment	(256,833)	-
Income tax expense	(554,225)	-
Profit after taxation for the financial year	1,713,408	-
Other comprehensive income	-	-
Total comprehensive income	1,713,408	-
Group's share of profit for the financial year	873,838	-
Group's share of other comprehensive income	-	-
<u>Reconciliation of Net Assets to Carrying Amount</u>		
Group's share of net assets above	1,383,838	-
Carrying amount of Group's interest in this joint venture	1,383,838	-

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

	Other Immaterial Joint Venture	
	2018 RM	2017 RM
<u>Financial year ended 31 May</u>		
Group's share of profit for the financial year	60,267	36,945
Group's share of other comprehensive income	-	-
Group's share of total comprehensive income	60,267	36,945
Aggregate carrying amount of the Group's interests in joint ventures	97,213	37,456

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

8. CONCESSION ASSETS

	The Group	
	2018 RM	2017 RM
At cost:-		
At 1 June	114,614,160	80,488,508
Acquisition of subsidiaries	91,160	-
Additions	39,157,175	31,615,107
Disposals/Writeoff	(2,294,955)	(1,281,208)
Foreign exchange difference	(12,290,381)	3,791,753
	139,277,159	114,614,160
Accumulated depreciation		
At 1 June	(22,664,521)	(18,864,216)
Charge for the financial year (Note 37)	(2,715,612)	(2,518,438)
Disposals/Writeoff	584,661	150,269
Foreign exchange difference	2,968,647	(1,432,136)
	(21,826,825)	(22,664,521)
Accumulated impairment loss		
At 1 June	(330,553)	(310,988)
Foreign exchange difference	36,042	(19,565)
	(294,511)	(330,553)
At 31 May	117,155,823	91,619,086

Included in the concession assets are land, building and generator with an aggregate carrying value of RM74,095,786 (2017 - RM41,837,730) pledged to licensed banks as security for credit facilities granted to a subsidiary as disclosed in Note 29 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

9. PROPERTY, PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT										Total RM	
	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM			
The Group 31 May 2018 Cost/Valuation												
At 1 June	2,860,000	4,854,550	9,214,861	131,383,138	7,683,244	3,510,567	2,215,679	16,810,356	1,696,349		180,228,744	
Additions	-	-	-	23,555,166	139,532	692,040	297,208	4,244,549	1,673,528		30,602,023	
Disposals/Writeoff	-	-	-	(2,828,697)	-	(164,574)	-	(1,302,531)	-		(4,295,802)	
Foreign exchange difference	-	-	(2,520)	-	-	(66,917)	-	(89,007)	(6,067)		(164,511)	
At 31 May	2,860,000	4,854,550	9,212,341	152,109,607	7,822,776	3,971,116	2,512,887	19,663,367	3,363,810		206,370,454	
Representing:												
At cost	-	4,854,550	779,192	152,109,607	7,822,776	3,971,116	2,512,887	19,663,367	3,363,810		195,077,305	
At valuation	2,860,000	-	8,433,149	-	-	-	-	-	-		11,293,149	
	2,860,000	4,854,550	9,212,341	152,109,607	7,822,776	3,971,116	2,512,887	19,663,367	3,363,810		206,370,454	

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

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

The Group 31 May 2018 Accumulated depreciation At 1 June	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Total RM
	-	225,394	3,029,544	86,876,442	5,744,808	1,977,315	1,538,096	11,746,139	1,342,767	112,480,505
Charge for the financial year	-	53,122	186,544	3,500	534,029	343,875	145,114	1,523,092	176,206	2,965,482
- recognised in profit or loss (Note 37)	-	-	-	15,648,431	108,659	55,341	2,654	838,936	-	16,654,021
- recognised in cost of sales (Note 35)	-	53,122	186,544	15,651,931	642,688	399,216	147,768	2,362,028	176,206	19,619,503
Disposals/Writeoff	-	-	-	(2,209,803)	-	(118,646)	-	(1,135,446)	-	(3,463,895)
Foreign exchange difference	-	-	(1,684)	-	-	(50,392)	-	(40,619)	(2,903)	(95,598)
At 31 May	-	278,516	3,214,404	100,318,570	6,387,496	2,207,493	1,685,864	12,932,102	1,516,070	128,540,515

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Total RM
The Group										
31 May 2018										
Accumulated impairment loss										
At 1 June	-	-	-	4,101,182	-	1,028	-	-	-	4,102,210
Disposals/Writeoff	-	-	-	(54,683)	-	-	-	-	-	(54,683)
Foreign exchange difference	-	-	-	-	-	(111)	-	-	-	(111)
At 31 May	-	-	-	4,046,499	-	917	-	-	-	4,047,416
Carrying value										
At cost	-	4,576,034	688,105	47,744,538	1,435,280	1,762,706	827,023	6,731,265	1,847,740	65,612,691
At valuation	2,860,000	-	5,309,832	-	-	-	-	-	-	8,169,832
	2,860,000	4,576,034	5,997,937	47,744,538	1,435,280	1,762,706	827,023	6,731,265	1,847,740	73,782,523

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

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

	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Total RM
The Group										
31 May 2017										
Cost/Valuation										
At 1 June	2,860,000	144,000	10,438,283	143,955,132	8,007,141	2,917,099	1,896,844	15,338,883	1,585,085	187,142,467
Reclassification	-	4,710,550	-	-	-	-	-	-	-	4,710,550
Additions	-	-	36,523	6,207,170	185,536	584,267	318,835	2,524,931	110,390	9,967,652
Disposals/Writeoff	-	-	-	(17,748,170)	(356,461)	(1,550)	-	(426,778)	-	(18,532,959)
Foreign exchange difference	-	-	1,368	-	-	31,733	-	32,076	874	66,051
Assets classified as held for sale	-	-	(1,261,313)	(1,030,994)	(152,972)	(20,982)	-	(658,756)	-	(3,125,017)
At 31 May	2,860,000	4,854,550	9,214,861	131,383,138	7,683,244	3,510,567	2,215,679	16,810,356	1,696,349	180,228,744
Representing:										
At cost	-	4,854,550	781,712	131,383,138	7,683,244	3,510,567	2,215,679	16,810,356	1,696,349	168,935,595
At valuation	2,860,000	-	8,433,149	-	-	-	-	-	-	11,293,149
	2,860,000	4,854,550	9,214,861	131,383,138	7,683,244	3,510,567	2,215,679	16,810,356	1,696,349	180,228,744

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)	Freehold	Leasehold	Buildings	Plant and	Tools and	Office	Furniture	Motor	Renovation	Total
	land	land								
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
The Group	-	19,200	3,635,723	83,014,249	5,306,626	1,645,540	1,430,729	10,412,044	1,152,111	106,616,222
31 May 2017	-	153,072	-	-	-	-	-	-	-	153,072
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
At 1 June	-	53,122	406,910	105,140	621,148	274,117	104,899	1,982,943	189,679	3,737,958
Reclassification	-	-	-	14,988,390	115,054	45,083	2,468	106,699	-	15,257,694
Charge for the financial year	-	53,122	406,910	15,093,530	736,202	319,200	107,367	2,089,642	189,679	18,995,652
- recognised in profit or loss (Note 37 and 42)	-	-	-	(10,709,151)	(237,649)	(635)	-	(296,156)	-	(11,243,591)
- recognised in cost of sales (Note 35)	-	-	-	-	-	-	-	17,428	977	41,629
Disposals/Writeoff	-	-	616	-	-	22,608	-	-	-	-
Foreign exchange difference	-	-	-	-	-	-	-	-	-	-
Assets classified as held for sale	-	-	(1,013,705)	(522,186)	(60,371)	(9,398)	-	(476,819)	-	(2,082,479)
At 31 May	-	225,394	3,029,544	86,876,442	5,744,808	1,977,315	1,538,096	11,746,139	1,342,767	112,480,505

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

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

The Group 31 May 2017	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Total RM
Accumulated impairment loss	-	-	-	4,101,182	-	967	-	-	-	4,102,149
At 1 June	-	-	-	-	-	-	-	-	-	-
Disposals/Writeoff	-	-	-	-	-	-	-	-	-	-
Foreign exchange difference	-	-	-	-	-	61	-	-	-	61
At 31 May	-	-	-	4,101,182	-	1,028	-	-	-	4,102,210
Carrying value										
At cost	-	4,629,156	706,820	40,405,514	1,938,436	1,532,224	677,583	5,064,217	353,582	55,307,532
At valuation	2,860,000	-	5,478,497	-	-	-	-	-	-	8,338,497
	2,860,000	4,629,156	6,185,317	40,405,514	1,938,436	1,532,224	677,583	5,064,217	353,582	63,646,029

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

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

	Motor vehicles RM	Furniture and fittings RM	Office equipment RM	Total RM
The Company				
31 May 2018				
Cost				
At 1 June	-	109,443	356,419	465,862
Additions	13,768	73,669	76,218	163,655
At 31 May	13,768	183,112	432,637	629,517
Accumulated depreciation				
At 1 June	-	21,505	167,697	189,202
Charge for the financial year (Note 37)	1,606	13,461	33,189	48,256
At 31 May	1,606	34,966	200,886	237,458
Carrying value at cost	12,162	148,146	231,751	392,059
31 May 2017				
Cost				
At 1 June		32,904	312,486	345,390
Additions		76,539	37,417	113,956
Control transfer		-	6,516	6,516
At 31 May		109,443	356,419	465,862
Accumulated depreciation				
At 1 June		17,238	140,333	157,571
Charge for the financial year (Note 37)		4,267	26,550	30,817
Disposal/Writeoff		-	814	814
At 31 May		21,505	167,697	189,202
Carrying value at cost		87,938	188,722	276,660

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

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

- (a) Freehold land and building were revalued in 1997 by an independent firm of professional valuers. These properties were hence forth stated on the basis of the 1997 valuation, as allowed by the transitional provisions in the accounting standard on property, plant and equipment. Had the freehold land and building been carried under the cost method, their carrying values would have been as follows:

	Freehold land RM	Building RM
The Group		
31 May 2018		
Carrying value	986,686	3,941,892
31 May 2017		
Carrying value	986,686	4,063,106

- (b) The carrying value of property, plant and equipment of the Group acquired under hire purchase and term loan arrangements are as follows:

	The Group	
	2018 RM	2017 RM
Plant and machinery	29,215,499	19,712,613
Motor vehicles	5,972,945	3,413,068
	35,188,444	23,125,681

- (c) Land and buildings with an aggregate carrying value of RM13,307,651 (2017 - RM697,915) are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 29 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

10. INVESTMENT PROPERTIES

	The Group	
	2018 RM	2017 RM
Cost		
At 1 June	18,757,062	19,743,560
Additions during the financial year	64,793,958	3,724,052
Reclassification	-	(4,710,550)
At 31 May	83,551,020	18,757,062
Accumulated depreciation		
At 1 June	972,685	898,957
Charge for the financial year (Note 37)	732,023	226,800
Reclassification	-	(153,072)
At 31 May	1,704,708	972,685
Accumulated impairment loss		
At 1 June	1,800,000	1,800,000
Addition during the financial year (Note 37)	1,197,000	-
At 31 May	2,997,000	1,800,000
Net carrying value	78,849,312	15,984,377
<i>Represented by:</i>		
Freehold lands	222,800	222,800
Leasehold lands	75,514,272	12,854,577
Building	3,112,240	2,907,000
	78,849,312	15,984,377

Investment properties with an aggregate carrying value of RM69,735,617 (2017 - RM11,828,920) are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 29 to the financial statements.

During the financial year, an impairment loss of RM1,197,000 (2017 - Nil), representing the write-down of the investment properties to their recoverable amount was recognised in "Other Expenses" line item of the statement of profit or loss as disclosed in Note 37 to the financial statements.

The fair values of the investment properties of the Group as at the reporting date are estimated at RM84,173,698 (2017 - RM20,700,999) based on directors' assessment of the current prices in an active market for the respective properties within each vicinity.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

11. LAND HELD FOR PROPERTY DEVELOPMENT

	The Group	
	2018 RM	2017 RM
At 1 June	3,889,309	3,881,416
Cost incurred during the financial year	7,894	7,893
At 31 May	3,897,203	3,889,309
<i>Represented by:</i>		
Freehold land	3,693,200	3,693,200
Development costs	204,003	196,109
	3,897,203	3,889,309

Land held for property development of the Group is pledged to a licensed bank as security for credit facility granted to a subsidiary as disclosed in Note 29 to the financial statements.

12. OTHER INVESTMENTS

	The Group	
	2018 RM	2017 RM
<u>Available-for-sale</u>		
Unquoted shares, at cost	100,000	100,000

Investments in unquoted shares of the Group are designated as available-for-sale financial assets but are stated at cost as their fair values cannot be reliably measured using valuation techniques due to the lack of marketability of the shares.

13. GOODWILL ON CONSOLIDATION

	The Group	
	2018 RM	2017 RM
Cost		
At 1 June	37,572,949	36,833,645
Acquisition of a subsidiary (Note 44.1)	33,175	-
Foreign exchange difference	(1,361,876)	739,304
At 31 May	36,244,248	37,572,949
Accumulated impairment loss		
At 1 June/31 May	(19,143,395)	(19,143,395)
Carrying value	17,100,853	18,429,554

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

13. GOODWILL ON CONSOLIDATION (CONT'D)

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

	The Group	
	2018 RM	2017 RM
Property development	5,939,203	5,939,203
Power concession	5,105,501	5,693,065
Water concession	6,056,149	6,797,286
	17,100,853	18,429,554

- (b) The Group has assessed the recoverable amounts of goodwill allocated and determined that no additional impairment is required. The recoverable amounts of the cash-generating units are determined using the value in use approach, and this 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 5 years and throughout the concession period. The key assumptions used in the determination of the recoverable amounts are as follows:-

	Gross Margin		Growth Rate		Discount Rate	
	2018 %	2017 %	2018 %	2017 %	2018 %	2017 %
Property development	90	90	5	5	14	9
Power concession	80 - 91	95 - 96	Nil	Nil	12	11
Water concession	40 - 79	60 - 79	4 - 7	5 - 11	12	11

- (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 increased 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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

13. GOODWILL ON CONSOLIDATION (CONT'D)

(c) Sensitivity to changes in assumptions

The management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the goodwill to be materially higher than its recoverable amount.

14. DEFERRED TAX LIABILITIES/(ASSETS)

	The Group	
	2018 RM	2017 RM
At 1 June	204,001	(9,202,305)
Recognised in profit or loss (Note 41)		
- continuing operations	(11,743,838)	6,037,851
Recognised in other comprehensive income	(54,053)	(1,300)
Foreign exchange difference	11,941	4,746
Assets classified as held for sale	-	3,365,009
At 31 May	(11,581,949)	204,001
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	4,773,076	6,448,689
Deferred tax assets	(16,355,025)	(6,244,688)
	(11,581,949)	204,001

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

	The Group	
	2018 RM	2017 RM
Deferred tax assets:-		
Accretion on receivables	-	(551,871)
Unrealised profit on contract works	(6,672,224)	(282,171)
Unused tax losses	(2,694,474)	(1,372,651)
Unabsorbed capital allowances	(396,409)	(285,904)
Provisions	(4,887,164)	(5,181,103)
Timing differences on allowable expenses	(2,802,016)	(1,200,522)
Others	(517,943)	(614,593)
Deferred tax assets (before offsetting)	(17,970,230)	(9,488,815)
Offsetting	1,615,205	3,244,127
Deferred tax assets (after offsetting)	(16,355,025)	(6,244,688)

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

14. DEFERRED TAX LIABILITIES/(ASSETS) (CONT'D)

Deferred tax assets and liabilities are attributable to the following items:- (Cont'd)

	The Group	
	2018 RM	2017 RM
Deferred tax liabilities:-		
Accelerated capital allowances over depreciation	5,006,445	7,047,099
Accretion on payables	-	909,786
Realisation of revaluation reserve on land	1,381,836	1,735,931
Deferred tax liabilities (before offsetting)	6,388,281	9,692,816
Offsetting	(1,615,205)	(3,244,127)
Deferred tax liabilities (after offsetting)	4,773,076	6,448,689

The deferred tax assets have been recognised on the basis of the Company's previous history of recording profits and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. The unused allowances can be carried forward to subsequent financial years until fully utilised.

At the end of the reporting period, the Group has unused tax losses and unabsorbed capital allowances of RM1,166,057 (2017 - RM6,781,942) and Nil (2017 - RM1,378,833) respectively that are available for offset against future taxable profits of the subsidiaries in which the losses arose. No deferred tax assets are recognised in respect of these items as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary differences can be utilised. The unused tax losses and unabsorbed capital allowances do not expire under current tax legislation. However, the availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act 1967 and guidelines issued by the tax authority.

15. INVENTORIES

	The Group	
	2018 RM	2017 RM
At cost		
Raw materials	54,832	57,641
Unsold completed properties	69,751,272	922,341
	69,806,104	979,982
Recognised in profit or loss:-		
Amount written down to net realisable value	2,540,272	-

Inventories recognised as an expense during the year amounted to RM14,824,664 (2017 - Nil).

The inventories amounting to RM2,254,272 have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 29 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

16. PROPERTY DEVELOPMENT COSTS

	Freehold Land RM	Leasehold Land RM	Development Costs RM	Total RM
The Group				
At 31 May 2018				
Cumulative Property Development Cost				
At 1 June	402,980,762	103,159,621	521,464,301	1,027,604,684
Cost incurred during the financial year	131,002,780	-	135,367,556	266,370,336
Addition in land proprietary entitlement	14,385,541	1,808,497	-	16,194,038
Reversal of completed projects	(5,661,501)	(17,661,366)	(260,282,491)	(283,605,358)
Transferred to inventories	(85,958)	(7,197,025)	(72,476,024)	(79,759,007)
At 31 May	<u>542,621,624</u>	<u>80,109,727</u>	<u>324,073,342</u>	<u>946,804,693</u>
Cumulative Costs Recognised in Profit or Loss				
At 1 June	(9,365,957)	(14,187,837)	(273,032,143)	(296,585,937)
Cost recognised during the financial year	(8,029,751)	(3,473,529)	(88,040,121)	(99,543,401)
Reversal of completed projects	5,661,501	17,661,366	260,282,491	283,605,358
At 31 May	<u>(11,734,207)</u>	<u>-</u>	<u>(100,789,773)</u>	<u>(112,523,980)</u>
Property Development Cost at 31 May 2018	<u>530,887,417</u>	<u>80,109,727</u>	<u>223,283,569</u>	<u>834,280,713</u>

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

16. PROPERTY DEVELOPMENT COSTS (CONT'D)

	Freehold Land RM	Leasehold Land RM	Development Costs RM	Total RM
The Group				
At 31 May 2017				
Cumulative Property Development Cost				
At 1 June	279,935,342	68,664,128	321,034,372	669,633,842
Cost incurred during the financial year	135,780,126	34,495,493	250,153,522	420,429,141
Reduction in land proprietary entitlement	(5,901,698)	-	-	(5,901,698)
Reversal of completed projects	(6,484,891)	-	(47,190,361)	(53,675,252)
Transferred to inventories	(348,117)	-	(2,533,232)	(2,881,349)
At 31 May	<u>402,980,762</u>	<u>103,159,621</u>	<u>521,464,301</u>	<u>1,027,604,684</u>
Cumulative Costs Recognised in Profit or Loss				
At 1 June	(6,605,303)	(7,772,459)	(170,439,893)	(184,817,655)
Cost recognised during the financial year	(9,245,545)	(6,415,378)	(149,782,611)	(165,443,534)
Reversal of completed projects	6,484,891	-	47,190,361	53,675,252
At 31 May	<u>(9,365,957)</u>	<u>(14,187,837)</u>	<u>(273,032,143)</u>	<u>(296,585,937)</u>
Property Development Cost at 31 May 2017	<u>393,614,805</u>	<u>88,971,784</u>	<u>248,432,158</u>	<u>731,018,747</u>

- (a) Included in development costs is interest expense capitalised during the financial year amounting to RM6,824,241 (2017 - RM8,859,030).
- (b) The lands under development of the Group with an aggregate carrying value of RM154,595,732 (2017 - RM182,387,963) are pledged to financial institutions for banking facilities granted to the Group as disclosed in Note 29 to the financial statements.
- (c) Included in property development costs is land proprietor's entitlement of the Group committed through:-
- (i) 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 RM132,509,758 (2017 - RM132,836,077);
 - (ii) 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 RM141,212,365 (2017 - RM135,780,126); and

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

16. PROPERTY DEVELOPMENT COSTS (CONT'D)

- (c) Included in property development costs is land proprietor's entitlement of the Group committed through:- (Cont'd)
- (iii) 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 with a carrying value of RM36,303,990 (2017 - RM34,495,493).

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.

17. TRADE AND NON-TRADE RECEIVABLES

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade receivables	60,580,624	64,261,565	-	-
Retention sums	10,252,174	18,109,436	-	-
Accrued billings on contracts for property development costs	15,561,918	56,858,288	-	-
<i>Less: Impairment loss</i>				
At 1 June	(137,476)	(589,290)	-	-
Additions during the financial year	-	(137,476)	-	-
Written off	-	589,290	-	-
At 31 May	(137,476)	(137,476)	-	-
<i>Less: Accretion of interest</i>				
At 1 June	(2,299,464)	(1,507,050)	-	-
(Additions)/Reversal during the financial year	2,299,464	(793,014)	-	-
Assets classified as held for sale	-	600	-	-
At 31 May	-	(2,299,464)	-	-
Trade receivables, net	<u>86,257,240</u>	<u>136,792,349</u>	<u>-</u>	<u>-</u>

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

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

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Amount owing by subsidiaries (Note 18)	-	-	213,085,085	184,184,822
Amount owing by joint ventures (Note 19)	11,760,290	-	-	-
Non-trade receivables	21,956,738	15,148,771	6,766,182	-
Prepayments	8,193,183	6,252,717	241,994	204,928
Deposits	8,017,932	15,133,441	16,000	1,000
Goods and services tax recoverable	1,363,066	1,614,553	-	-
Advances to subcontractors	27,073,845	11,729,957	-	-
	<u>78,365,054</u>	<u>49,879,439</u>	<u>220,109,261</u>	<u>184,390,750</u>
<i>Less: Impairment loss</i>				
At 1 June	(614,402)	(614,402)	-	-
Additions during the financial year	(6,750,000)	-	(6,750,000)	-
Recovered	614,402	-	-	-
At 31 May	(6,750,000)	(614,402)	(6,750,000)	-
<i>Less: Accretion of interest</i>				
At 1 June	(286,271)	(255,056)	(2,366,839)	(1,620,611)
(Additions)/Reversal during the financial year:				
- non-trade receivables	(128,530)	(31,215)	-	-
- amount owing by subsidiaries	-	-	1,828,435	(746,228)
At 31 May	(414,801)	(286,271)	(538,404)	(2,366,839)
Non-trade receivables, net	<u>71,200,253</u>	<u>48,978,766</u>	<u>212,820,857</u>	<u>182,023,911</u>
Trade and non-trade receivables	<u>157,457,493</u>	<u>185,771,115</u>	<u>212,820,857</u>	<u>182,023,911</u>

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

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current asset:				
Receivables within one year	155,030,209	183,177,887	107,887,893	80,298,627
Non-current asset:				
Receivables more than one year but less than five years	2,427,284	2,593,228	104,932,964	101,725,284
	<u>157,457,493</u>	<u>185,771,115</u>	<u>212,820,857</u>	<u>182,023,911</u>

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

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

The Group's normal trade credit terms range from 30 to 90 (2017 - 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

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	
	2018	2017
	RM	RM
Party related to		
Tan Sri Dato' Kok Onn:		
- Kok Khim Boon (brother)	1,802,639	-

18. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company	
	2018	2017
	RM	RM
Amount owing by subsidiaries:		
<u>Current</u>		
Trade balances	7,183,918	3,645,284
Non-trade balances	100,429,799	76,447,415
	107,613,717	80,092,699
<u>Non-current</u>		
Non-trade balances	105,471,368	104,092,123
Less: Accretion of interest	(538,404)	(2,366,839)
	104,932,964	101,725,284
	212,546,681	181,817,983
Amount owing to a subsidiary:		
<u>Current</u>		
Non-trade balances	-	(50,000)

The trade balances are subject to the normal trade credit terms ranging from 30 to 90 (2017 - 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 RM110,400,000 (2017 - RM95,500,000) at interest rate of 5% (2017 - 5%). The amounts are repayable on demand or not more than 6 years and to be settled in cash.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

19. AMOUNT OWING BY JOINT VENTURES

	The Group	
	2018 RM	2017 RM
Amount owing by joint ventures (Note 17):		
<u>Current</u>		
Non-trade balances	11,760,290	-

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. AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

	The Group	
	2018 RM	2017 RM
Construction contract costs incurred to date	881,326,394	2,040,712,730
Attributable profits	75,508,381	246,550,574
	956,834,775	2,287,263,304
Less: Progress billings	(912,522,638)	(2,281,411,747)
Due by customers on contract work-in-progress	44,312,137	5,851,557
<i>Represented by:</i>		
Amount owing by contract customers	48,884,702	24,695,054
Amount owing to contract customers	(4,572,565)	(18,843,497)
	44,312,137	5,851,557
Advances received on contract, included in non-trade payables (Note 32)	41,383,274	27,923,077

21. SHORT TERM FUNDS

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Short term funds	54,367,780	59,434,935	1,012,489	21,187,723

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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

22. DEPOSITS WITH LICENSED BANKS

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deposits with licensed banks	92,542,024	87,908,616	13,629,330	22,010,349

- (a) The fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 2.00% to 5.75% (2017 - 2.55% to 3.68%) per annum and 2.55% to 3.68% (2017 - 2.55% to 3.68%) per annum respectively. The fixed deposits have maturity periods ranging from 1 to 12 (2017 - 1 to 12) months for the Group and the Company respectively.
- (b) Included in the fixed deposits with licensed banks of the Group and the Company at the end of the reporting period was an amount of RM60,536,580 and RM11,345,768 (2017 - RM53,314,789 and RM10,523,181) which has been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 28 to the financial statements.

23. CASH AND BANK BALANCES

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	131,016,957	114,571,701	25,666,610	7,250,506

Included in the cash and bank balances of the Group is an amount of RM31,336,653 (2017 - RM12,403,343) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and which is restricted from use in other operations.

24. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

On 10 July 2017, the Group disposed of its Plantation Division. This decision is consistent with the Group's strategy to exit from its non-core business activity and to reallocate its resources to other key business areas within the Group.

In the previous financial year, the assets and liabilities of the Plantation Division had been presented in the consolidated statement of financial position as "Assets classified as held for sale" and "Liabilities classified as held for sale", and its results are presented separately on the consolidated statement of profit or loss as "Loss after taxation from discontinued operations". The disposal is deemed completed during the financial year and the details are disclosed in Note 45 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

24. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE (CONT'D)

The assets and liabilities classified as held for sale are as follows:-

	The Group	
	2018 RM	2017 RM
Property, plant and equipment		
- Cost	-	3,125,017
- Accumulated depreciation	-	(2,082,479)
- Carrying value	-	1,042,538
Biological assets		
- Cost	-	13,746,177
- Accumulated depreciation	-	(1,940,070)
- Carrying value	-	11,806,107
Deferred tax assets	-	3,365,009
Trade and non-trade receivables	-	262,692
Cash and bank balances	-	142,612
Inventories	-	113,273
	-	16,732,231
Less: Impairment loss on assets held for sale	-	(1,211,210)
Assets classified as held for sale	-	15,521,021
Trade and non-trade payables	-	471,158
Bank borrowings	-	49,863
Liabilities classified as held for sale	-	521,021

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

25. SHARE CAPITAL

	The Group/The Company			
	2018 Number of shares	2017 Number of shares	2018 RM	2017 RM
Issued and fully paid-up:-				
At 1 June	654,953,945	258,623,378	331,678,178	258,623,378
Issuance of shares pursuant to:				
- share split	-	258,623,378	-	-
- bonus issue of shares	-	129,311,689	-	64,655,844
- exercise of ESOS	6,767,000	8,337,900	6,702,064	8,337,900
- conversion of warrant exercised	50	57,600	53	61,056
At 31 May	661,720,995	654,953,945	338,380,295	331,678,178

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.

During the financial year, the Company increased its issued and paid-up share capital from RM331,678,178 to RM338,380,295 by way of:-

- (i) an issuance of 50 new ordinary shares from the exercise of Warrants 2016/2021 at the exercise price of RM1.06 per warrant in accordance with the Deed Poll dated 11 November 2016; and
- (ii) an issuance of 6,767,000 new ordinary shares from the exercise of options under the Company's ESOS at exercise prices of RM0.86 and RM1.03 per option.

All the new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

26. RESERVES

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Non-distributable					
Capital reserves	26(a)	1,346,681	1,346,681	-	-
Foreign exchange translation reserves	26(b)	(4,282,396)	1,772,253	-	-
Share option reserves	26(c)	3,720,867	742,977	3,720,867	742,977
		785,152	3,861,911	3,720,867	742,977
Distributable					
Retained profits		365,718,644	287,628,070	28,887,539	25,541,197
		366,503,796	291,489,981	32,608,406	26,284,174

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

26. 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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

26. RESERVES (CONT'D)

(c) Share option reserves (Cont'd)

The main features of the ESOS are as follows:- (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:

No. of options granted	% to be exercised in				
	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:-

Exercise price (RM)	Date of offer	← No. of options over ordinary shares →					As at 31 May	Exercisable as at 31 May
		As at 1 June	Granted	Exercised	Lapsed			
31 May 2018								
0.86	16.12.2016	76,942,600	-	(6,749,000)	(2,820,900)	67,372,700	16,204,400	
1.03	5.1.2018	-	15,201,200	(18,000)	(249,900)	14,933,300	3,532,400	
		76,942,600	15,201,200	(6,767,000)	(3,070,800)	82,306,000	19,736,800	
31 May 2017								
0.86	16.12.2016	-	85,280,500	(8,337,900)	-	76,942,600	8,718,200	

No person to whom the share option has been granted above has any right to participate by virtue of the option in any share issue of the any other company.

The options which lapsed during the financial year were due to resignations of employees.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

26. RESERVES (CONT'D)

(c) Share option reserves (Cont'd)

The main features of the ESOS are as follows:- (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 1	Tranche 2	Tranche 1
Fair value of share options at the grant date (RM)	0.14	0.28	0.14
Weighted average ordinary share price (RM)	0.95	1.14	1.14
Exercise price of share option (RM)	0.86	0.86	1.03
Expected volatility (%)	10.48	6.13	6.16
Expected life (years)	5	4	4
Risk free rate (%)	3.77	3.86	3.82
Expected dividend yield (%)	3.22	2.81	2.83

27. 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	
	2018 RM	2017 RM
At 1 June	8,002,950	7,264,044
Acquisition of a subsidiary	45,781	-
Share of results attributable to non-controlling interests	(439,040)	738,906
Changes in ownership interest in a subsidiary (effects of change in stake)	(3,285,640)	-
At 31 May	4,324,051	8,002,950

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

28. BANK BORROWINGS

	The Group	
	2018 RM	2017 RM
Current		
Secured:		
Bank overdrafts (Note 47(c))	8,326,437	7,521,756
Bankers' acceptances	-	4,693,000
Revolving credits	34,999,000	15,200,000
Trust receipts	169,000	-
Term loans (Note 29)	9,000,225	17,518,105
Hire purchase payables (Note 30)	11,060,277	3,837,997
	63,554,939	48,770,858
Non-current		
Secured:		
Term loans (Note 29)	201,341,561	136,690,551
Hire purchase payables (Note 30)	18,514,514	7,128,744
	219,856,075	143,819,295
Total bank borrowings	283,411,014	192,590,153

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

	The Group	
	2018 %	2017 %
Bank overdrafts	6.69	7.71
Bankers' acceptances	-	4.47-4.48
Revolving credits	4.77-6.69	4.51-5.78
Trust receipts	7.95	-

The bank borrowings except for term loans and hire purchase are secured by:-

- (i) assignment of the contract proceeds;
- (ii) corporate guarantees of the Company; and
- (iii) deposits with licensed banks of the Group and the Company as disclosed in Note 22 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

29. TERM LOANS

	The Group	
	2018 RM	2017 RM
Current liabilities (Note 28)	9,000,225	17,518,105
Non-current liabilities (Note 28)	201,341,561	136,690,551
Total term loans	<u>210,341,786</u>	<u>154,208,656</u>

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

	The Group			
	Effective Interest Rate		2018 RM	2017 RM
	2018 %	2017 %		
Term Loan				
I	5.97%	5.72%	19,800,000	19,800,000
II	7.35%	7.25%	2,976,984	3,221,273
III	-	5.52%	-	5,880
IV	-	7.90%	-	6,632,415
V	6.97%	6.72%	304,089	978,396
VI	-	8.33%	-	899,830
VII	-	8.33%	-	2,100,000
VIII	5.16%	5.16%	70,000,000	70,000,000
IX	5.43%	-	2,513,294	-
X	5.78%	-	8,396,639	-
XI	5.78%	-	8,845,825	-
XII	-	5.12%	-	9,752,500
XIII	4.87%	4.62%	755,821	871,987
XIV	5.47%	-	44,999,969	-
XV	4.46%	4.46%	7,492,920	10,524,481
XVI	12.50%	12.50%	44,256,245	29,421,894
			<u>210,341,786</u>	<u>154,208,656</u>

(a) Term loan I has a tenure of 8 years and is repayable by redemption of units developed or 16 quarterly instalments of RM1,237,500 each, 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 16 to the financial statements; and
- (ii) a corporate guarantee of the Company.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

29. TERM LOANS (CONT'D)

(b) Term loan II has a tenure of 20 years and is repayable by redemption of units sold or 204 monthly instalments of RM141,000 each commencing on October 2015, whichever is earlier. The term loan is secured by:-

- (i) a first legal assignment or upon issuance of strata/individuals title, first party legal charge over the retail shop offices at Jentayu Residensi as disclosed in Note 15 to the financial statements;
- (ii) a debenture over the fixed and floating assets of a subsidiary;
- (iii) an assignment over the rental proceeds and/or sale proceeds from the Shop Offices; and
- (iv) a corporate guarantee of the Company.

(c) Term loan III has a tenure of 9 years and is repayable by redemption of units sold or 23 monthly instalments of RM830,000 each and a final instalment of RM910,000 commencing on the 24th month of first drawdown in January 2015, 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.

The term loan was fully repaid during the financial year.

(d) Term loan IV has a tenure of 3 years and is repayable by redemption of units sold or 17 monthly instalments of RM1,120,000 each and a final instalment of RM960,000 commencing March 2017, whichever is earlier. The term loan is secured by:-

- (i) a charge over a leasehold land which is included in the property development costs of a subsidiary as disclosed in Note 16 to the financial statements;
- (ii) an assignment of sales proceeds from the proposed development;
- (iii) limited debenture over the proposed development; and
- (iv) a corporate guarantee of the Company.

The term loan was fully repaid during the financial year.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

29. TERM LOANS (CONT'D)

(e) Term loan V has a tenure of 6 years and is repayable by redemption of units sold or 48 monthly instalments of RM59,403 each commencing on November 2014, whichever is earlier. The term loan is secured by:-

- (i) a charge over a piece of freehold land which is included in the land held for development of a subsidiary as disclosed in Note 11 to the financial statements; and
- (ii) a corporate guarantee of the Company.

(f) Term loan VI has a tenure of 6 years and is repayable by redemption of units sold or in 72 monthly instalments of RM77,292 each commencing on October 2011, whichever is earlier.

Term loan VII has a tenure of 2 years and is repayable by redemption of units sold or full settlement on the 24th month of first drawdown in April 2016, whichever is earlier.

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 16 to the financial statements;
- (ii) a debenture over the present and future assets of a subsidiary; and
- (iii) a corporate guarantee of the Company and a subsidiary.

The term loans were fully repaid during the financial year.

(g) Term loan VIII has a tenure of 96 months and is repayable by redemption of units sold or 16 quarterly principal payments of RM4,375,000 each commencing on the 51st month from the date of first drawdown in October 2015, whichever is earlier.

The term loan IX has a tenure of 84 months and is repayable by 47 monthly principal payments of RM230,000 each with one final month's principal repayment of RM190,000 commencing on the 37th month from the date of first drawdown in October 2017.

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 16 to the financial statements; and
- (ii) a corporate guarantee of the Company.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

29. TERM LOANS (CONT'D)

- (h) The term loan X has a tenure of 3.5 years and is repayable by redemption of units sold or by way of 17 monthly instalments of RM1,110,000 each and a final instalment of RM1,130,000, whichever is earlier, commencing on 25th month from the first drawdown in April 2018.

The term loan XI has a tenure of 3.5 years and is repayable by redemption of units sold or by way of 17 monthly instalments of RM1,940,000 each and a final instalment of RM2,020,000, whichever is earlier, commencing on 25th month from the first drawdown in December 2017.

The term loans are secured by:-

- (i) a debenture over all present and future assets of a subsidiary;
 - (ii) an assignment of sales proceeds from the projects developed by a subsidiary; and
 - (iii) a corporate guarantee of the Company.
- (i) Term loan XII has a tenure of 5 years and is repayable by 53 monthly instalments of RM350,900 each commencing on October 2015. 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 10 to the financial statements;
 - (ii) a corporate guarantee of the Company; and
 - (iii) a debenture over the assets financed under the term loan.

The term loan was fully repaid during the financial year.

- (j) Term loan XIII 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 of a subsidiary as disclosed in Note 9 to the financial statements;
 - (ii) a joint and several guarantee of all directors of a subsidiary; and
 - (iii) a corporate guarantee of the Company.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

29. TERM LOANS (CONT'D)

- (k) The term loan XIV has a tenure of 6 years and is repayable by 48 monthly instalments of RM937,500 commencing on 25th month from the date of first drawdown in August 2017. 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 10 to the financial statements;
 - (ii) a corporate guarantee of the Company; and
 - (iii) a debenture over the assets financed under the term loan.
- (l) Term loan XV 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 11 quarterly instalments of USD145,834 each commencing on October 2015 and the balance lump sum settlement at the end of the repayment period. 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.
- (m) Term loan XVI has a tenure of 120 months and is repayable in 32 quarterly step up principal instalments on 24th month from the date of first drawdown in April 2016 or 3 months after Commercial Operation Date, whichever is earlier. 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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

30. HIRE PURCHASE PAYABLES

	The Group	
	2018	2017
	RM	RM
Minimum hire purchase payments:		
- not later than one year	12,528,617	4,423,676
- later than one year and not later than five years	20,131,483	3,738,176
- later than five years	206,650	3,985,815
	32,866,750	12,147,667
Less: Future finance charges	(3,291,959)	(1,180,926)
Present value of hire purchase payables	29,574,791	10,966,741
Analysed by:-		
Current liabilities (Note 28)	11,060,277	3,837,997
Non-current liabilities (Note 28)	18,514,514	7,128,744
	29,574,791	10,966,741

The hire purchase payables at the end of the reporting period bore effective interest rates ranging from 4.46% to 7.07% (2017 - 4.46% to 7.07%) per annum.

31. DEFINED BENEFIT OBLIGATIONS

Foreign subsidiaries in Indonesia operate an unfunded defined benefit obligations for its eligible employees in accordance with Republic of Indonesia Labour Law.

Movement in the net liability recognised in the statements of financial position:-

	The Group	
	2018	2017
	RM	RM
At 1 June	2,038,569	1,889,111
Benefits paid for unfunded plans	(92,511)	(77,868)
Expense recognised in profit or loss (Note 38)	394,645	88,273
Actuarial loss recognised in other comprehensive income	425,279	20,297
Foreign exchange difference	(258,523)	118,756
At 31 May	2,507,459	2,038,569

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

31. DEFINED BENEFIT OBLIGATIONS (CONT'D)

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

	The Group	
	2018 RM	2017 RM
Service cost	251,278	200,236
Interest cost	143,367	161,137
Effects of curtailments or settlement	-	(273,100)
Total cost incurred during the financial year	394,645	88,273

The principal actuarial assumptions used in respect of the Group's unfunded defined benefit plan were as follows:-

	The Group	
	2018	2017
Normal retirement age	55 years	55 years
Future salary increment rate	9% p.a.	9% p.a.
Discount rate	8% p.a.	8% p.a.

32. TRADE AND NON-TRADE PAYABLES

Note	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade payables	49,001,151	29,469,787	-	-
Retention payable	38,173,310	42,517,619	-	-
Accrued subcontractor work and materials	80,483,381	49,521,658	-	-
<i>Less: Accretion of interest</i>				
At 1 June	(3,074,789)	(3,262,261)	-	-
(Addition)/Reversal during the financial year	3,074,789	187,472	-	-
At 31 May	-	(3,074,789)	-	-
Trade payables, net	167,657,842	118,434,275	-	-

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

32. TRADE AND NON-TRADE PAYABLES (CONT'D)

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Advances from contract customers	20	41,383,274	27,923,077	-	-
Non-trade payables		128,863,041	8,201,828	20,245	55,272
Land proprietor's entitlement		263,324,477	282,902,879	-	-
Progress billings on contract for property development costs		29,010,756	46,896,101	-	-
Other accruals		61,858,973	79,555,006	479,250	575,466
Deposits		611,006	655,686	-	-
Amount owing to a director	32(b)	951,783	1,251,783	-	-
Amount owing to a subsidiary	18	-	-	-	50,000
Goods and service tax payables		433,755	5,264,231	198,991	150,524
		526,437,065	452,650,591	698,486	831,262
<i>Less: Accretion of interest</i>					
At 1 June		(363,438)	(502,698)	-	-
(Addition)/Reversal:					
- amount owing to a director		(15,813)	(16,777)	-	-
- non-trade payables		-	165,854	-	-
- foreign exchange difference		-	(9,817)	-	-
At 31 May		(379,251)	(363,438)	-	-
Non-trade payables, net		526,057,814	452,287,153	698,486	831,262
Trade and non-trade payables		693,715,656	570,721,428	698,486	831,262

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

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current liability:				
Payables within one year	421,049,539	327,167,310	698,486	831,262
Non-current liability:				
Payables more than one year and less than five years	272,666,117	243,554,118	-	-
	693,715,656	570,721,428	698,486	831,262

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

32. TRADE AND NON-TRADE PAYABLES (CONT'D)

- (a) Included in trade and non-trade payables of the Group are amounts owing to parties related to a director of the Company. Balances as at end of the reporting period are as follows:

	The Group	
	2018 RM	2017 RM
Parties related to Tan Sri Dato' Kok Onn:		
- Kok Khim Boon (brother)	999,664	529,931
- Datapuri Sdn Bhd (nephew is a director and shareholder of the company)	-	2,193,463
- Jawira Sdn Bhd (connected person)	-	203,962
- M Pro Garage Auto Specialist (connected person)	1,099	-
	1,099	2,927,356

- (b) Amount owing to Raja Zainal Abidin Bin Raja Hussin, a director of a subsidiary, is unsecured, interest free and repayable within the next five years.
- (c) The normal trade credit terms granted to the Group range from 30 to 90 (2017 - 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

33. NET ASSETS PER ORDINARY SHARE

The net assets per ordinary share is calculated based on the net assets value of RM704,884,091 (2017 - RM623,168,159) attributable to ordinary shares divided by the number of ordinary shares in issue at the end of the reporting period of 661,720,995 (2017 - 654,953,945) shares.

34. REVENUE

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Dividend income	-	-	32,200,000	45,000,000
Management fees	294,000	6,000	8,706,000	6,593,000
Revenue from construction contracts	377,842,958	286,720,758	-	-
Revenue from water concession	22,813,726	23,067,043	-	-
Revenue from property development	195,108,425	244,072,305	-	-
	596,059,109	553,866,106	40,906,000	51,593,000

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

35. COST OF SALES

Cost of sales represents cost of inventories sold, cost of services provided, contract costs, cost of development properties sold and cost of processing treated water.

The cost of sales included the following charges made during the financial year:

	The Group	
	2018	2017
	RM	RM
Depreciation of property, plant and equipment (Note 9)	16,654,021	15,257,694
Employee benefits (Note 38)	46,942,505	28,999,778
Hire of plant and machinery	722,146	557,939
Interest expense	1,822,104	1,622,165
Rental of land and premises	1,579,650	1,281,610

36. OTHER INCOME

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Administrative fees	89,799	106,332	-	-
Accretion of interest on:				
- amount owing to a director	15,813	16,777	-	-
- amount owing by subsidiaries	-	-	1,828,435	-
- trade and non-trade receivables	2,170,934	-	-	-
Bad debts recovered	614,402	7,100	-	-
Dividend received from short term funds	2,260,769	2,699,402	456,102	1,201,195
Fair value gain on short term funds	158,609	-	22,166	-
Gain on disposal of property, plant and equipment	904,013	3,997,022	-	-
Interest income	5,244,473	4,902,096	5,565,760	3,669,769
Miscellaneous income	1,964,680	1,034,479	30,523	6,821
Rental income	2,613,496	111,537	-	-
Sales of car park	3,000	189,000	-	-
Sales of scrap iron	1,238,526	100,054	-	-
Unrealised gain on foreign exchange	-	1,138,717	-	997,384
Waiver of liability	35,581	168,635	-	-
	17,314,095	14,471,151	7,902,986	5,875,169

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

37. PROFIT BEFORE TAXATION

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before taxation is arrived:-				
After charging/(crediting):-				
Accretion of interest on:				
- amounts owing by subsidiaries	-	-	-	746,228
- trade and non-trade receivables	-	824,229	-	-
- trade and non-trade payables	3,074,789	353,326	-	-
Auditors' remuneration:				
- auditors of the Company	452,600	427,400	101,600	70,800
- other auditors	162,924	144,670	-	-
Bad debts written off	59,290	106,003	4,959,100	-
Concession assets written off	7,337	323,637	-	-
Depreciation of:				
- concession assets (Note 8)	2,715,612	2,518,438	-	-
- property, plant and equipment (Note 9)	2,965,482	3,316,670	48,256	30,817
- investment properties (Note 10)	732,023	226,800	-	-
Employee benefits (Note 38)	31,802,828	25,092,163	7,285,344	7,914,044
Fair value loss on short term funds	-	130,218	11,776	72,402
(Reversal)/Impairment loss on:				
- inventories	2,540,272	-	-	-
- investment properties	1,197,000	-	-	-
- investment in subsidiaries	-	-	(2,859,537)	2,859,537
- trade and non-trade receivables	6,750,000	137,476	6,750,000	-
Inventories written off	128	-	-	-
Loss on disposal of concession assets	97,494	-	-	-
Loss on disposal of a subsidiary	1,304,255	-	2,819,509	-
Property, plant and equipment written off	45,927	1,018,400	-	-
Realised loss on foreign exchange	383,755	151,059	1,013	1,144

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

37. PROFIT BEFORE TAXATION (CONT'D)

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before taxation is arrived:- (Cont'd)				
After charging/(crediting):- (Cont'd)				
Reversal of impairment loss on assets held for sale	(1,211,210)	-	-	-
Share option expenses	4,382,506	1,910,283	1,016,764	1,910,283
Share option expenses charged to subsidiaries	-	-	(1,487,707)	-
Unrealised loss on foreign exchange	3,941,427	-	2,506,367	-
	3,941,427	-	2,506,367	-

38. EMPLOYEE BENEFITS

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries and other benefits	69,231,254	48,446,949	7,161,084	5,575,134
Contributions to:				
- defined contribution plan	4,736,928	3,646,436	595,203	428,627
- defined benefit obligations (Note 31)	394,645	88,273	-	-
- share option expenses	4,382,506	1,910,283	1,016,764	1,910,283
- share option expenses charged to subsidiaries	-	-	(1,487,707)	-
	78,745,333	54,091,941	7,285,344	7,914,044

Employee benefits are allocated as follows:-

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cost of sales (Note 35)	46,942,505	28,999,778	-	-
Administrative expenses (Note 37)	31,802,828	25,092,163	7,285,344	7,914,044
	78,745,333	54,091,941	7,285,344	7,914,044

Included in employee benefits of the Group and of the Company are executive directors' remuneration amounting to RM11,434,478 (2017 - RM8,636,055) and RM2,730,455 (2017 - RM2,078,565) respectively as further disclosed in Note 39 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

39. DIRECTORS' REMUNERATION AND KEY MANAGEMENT PERSONNEL COMPENSATION

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company				
<i>Executive:</i>				
Salaries and other emoluments	2,273,403	1,831,079	2,273,403	1,831,079
Defined contribution plan	71,520	54,720	71,520	54,720
Share option expenses	385,532	192,766	385,532	192,766
	<u>2,730,455</u>	<u>2,078,565</u>	<u>2,730,455</u>	<u>2,078,565</u>
<i>Non-executive:</i>				
Director fees	243,000	260,000	243,000	260,000
Other emoluments	97,000	78,817	97,000	78,817
Share option expenses	52,164	55,062	52,164	55,062
	<u>392,164</u>	<u>393,879</u>	<u>392,164</u>	<u>393,879</u>
	<u>3,122,619</u>	<u>2,472,444</u>	<u>3,122,619</u>	<u>2,472,444</u>
Directors of the subsidiaries				
<i>Executive:</i>				
Salaries and other emoluments	6,297,129	5,121,343	-	-
Director fees	178,134	179,119	-	-
Defined contribution plan	561,458	452,364	-	-
Share option expenses	1,667,302	804,664	-	-
	<u>8,704,023</u>	<u>6,557,490</u>	<u>-</u>	<u>-</u>
Total directors' remuneration	11,826,642	9,029,934	3,122,619	2,472,444
Benefits-in-kind	429,869	54,450	110,526	4,800
Total directors' remuneration including benefits-in-kind	<u>12,256,511</u>	<u>9,084,384</u>	<u>3,233,145</u>	<u>2,477,244</u>
Key Management Personnel				
Salaries and other emoluments	4,426,967	2,600,130	1,535,386	979,059
Defined contribution plan	524,984	297,556	180,637	114,449
Share option expenses	1,041,446	333,564	350,154	146,090
	<u>5,993,397</u>	<u>3,231,250</u>	<u>2,066,177</u>	<u>1,239,598</u>
Benefits-in-kind	127,685	29,946	41,650	-
Total key management personnel compensation including benefits-in-kind	<u>6,121,082</u>	<u>3,261,196</u>	<u>2,107,827</u>	<u>1,239,598</u>

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

40. FINANCE COSTS

	The Group	
	2018 RM	2017 RM
Bank borrowing interest	1,607,947	1,769,998
Hire purchase interest	216,200	525,539
	1,824,147	2,295,537

41. INCOME TAX EXPENSE

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Income tax expense on:				
- continuing operations	35,547,334	37,995,808	1,574,416	475,548
- discontinued operations	-	-	-	-
Total income tax expense	35,547,334	37,995,808	1,574,416	475,548
Major components of income tax expense include:				
Income tax:				
- Malaysian income tax	44,733,400	29,221,056	1,389,205	679,902
- Foreign tax	2,090,601	2,039,734	-	-
	46,824,001	31,260,790	1,389,205	679,902
Under/(Over)provision in the previous financial year				
- Malaysian income tax	467,171	697,167	185,211	(204,354)
	47,291,172	31,957,957	1,574,416	475,548
Deferred taxation (Note 14)				
- for the financial year	(10,789,768)	7,436,692	-	-
- under/(over)provision in the previous financial year	(954,070)	(1,398,841)	-	-
	(11,743,838)	6,037,851	-	-
	35,547,334	37,995,808	1,574,416	475,548

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

41. INCOME TAX EXPENSE (CONT'D)

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax:				
- continuing operations	132,624,721	141,554,701	24,153,795	43,263,779
- discontinued operations	(155,467)	(2,952,473)	-	-
	<u>132,469,254</u>	<u>138,602,228</u>	<u>24,153,795</u>	<u>43,263,779</u>
Tax at Malaysian tax rate of 24%	31,792,621	33,264,535	5,796,911	10,383,307
Non-deductible expenses	6,703,878	5,245,303	3,608,095	533,718
Non-taxable income	(2,444,114)	(930,401)	(7,570,986)	(11,088,287)
Deferred tax assets not recognised	206,033	1,386,078	-	851,164
Share of results of joint ventures	(224,185)	-	-	-
Utilisation of deferred tax assets previously not recognised	-	(268,033)	(444,815)	-
	<u>36,034,233</u>	<u>38,697,482</u>	<u>1,389,205</u>	<u>679,902</u>
Under/(Over)provision of income tax in prior year	467,171	697,167	185,211	(204,354)
Under/(Over)provision of deferred tax in prior year	(954,070)	(1,398,841)	-	-
Income tax expense for the financial year	<u>35,547,334</u>	<u>37,995,808</u>	<u>1,574,416</u>	<u>475,548</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017 - 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.

For years of assessment 2017 and 2018, the Malaysian statutory tax rate will be reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

42. LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS

As disclosed in Note 45 to the financial statements, the Group disposed of its Plantation Division which was deemed completed on 27 November 2017.

An analysis of the results of the discontinued operations is as follows:-

	The Group	
	2018 RM	2017 RM
Revenue	235,482	2,671,520
Cost of sales	(163,255)	(2,526,002)
Gross profit	<u>72,227</u>	<u>145,518</u>
Administrative expenses	(152,519)	(639,731)
Depreciation and amortisation	-	(1,108,596)
Operating expenses	(74,656)	(130,727)
Impairment loss on assets held for sale	-	(1,211,210)
Loss from operations	<u>(154,948)</u>	<u>(2,944,746)</u>
Finance costs	(519)	(7,727)
Loss before taxation	<u>(155,467)</u>	<u>(2,952,473)</u>
Income tax expense	-	-
Loss after taxation from discontinued operations	<u>(155,467)</u>	<u>(2,952,473)</u>

(a) Included in loss before taxation from the discontinued operations are the following:-

	The Group	
	2018 RM	2017 RM
Amortisation of biological assets	-	687,309
Auditors' remuneration	-	14,400
Depreciation of property, plant and equipment (Note 9)	-	421,288
Director's remuneration	88,026	284,984
Staff costs	<u>64,493</u>	<u>354,747</u>

(b) The cash flows attributable to the discontinued operations are the following:-

	The Group	
	2018 RM	2017 RM
Net operating cash flows	-	(129,944)
Net investing cash flows	-	(262,804)
Net financing cash flows	-	(119,477)
Net cash for discontinued operations	<u>-</u>	<u>(512,225)</u>

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

43. EARNINGS PER SHARE

	The Group	
	2018	2017
Profit after tax attributable to owners of the Company (RM)		
- from continuing operations	97,064,664	103,068,599
- from discontinued operations	(155,467)	(2,952,473)
	<u>96,909,197</u>	<u>100,116,126</u>
Weighted average number of ordinary shares during the year	658,850,583	648,089,724
Basic earnings per ordinary share (sen)		
- from continuing operations	14.73	15.90
- from discontinued operations	(0.02)	(0.46)

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	
	2018	2017
Profit after tax attributable to owners of the Company (RM)		
- from continuing operations	97,064,664	103,068,599
- from discontinued operations	(155,467)	(2,952,473)
	<u>96,909,197</u>	<u>100,116,126</u>
Weighted average number of ordinary shares during the year	658,850,583	648,089,724
Effect of dilution:		
- exercise of Warrants 2016/2021	10,767,246	3,541,348
- exercise of ESOS	16,204,708	9,875,151
	<u>685,822,537</u>	<u>661,506,223</u>
Weighted average number of ordinary shares during the year		
Diluted earnings per share (sen)		
- from continuing operations	14.15	15.58
- from discontinued operations	(0.02)	(0.45)

The diluted 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 adjusted for the effects of the dilutive potential ordinary shares.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

44. ACQUISITION OF A SUBSIDIARY AND NON-CONTROLLING INTERESTS

44.1 Acquisition of a Subsidiary

On 29 June 2017, the Company's wholly-owned subsidiary, Regional Utilities Sdn Bhd subscribed for 70% equity interest representing 139,999 ordinary shares in Nusantara Suriamas Sdn Bhd ("NSSB") for a total cash consideration of RM139,999. The remaining 30% equity interest in NSSB was subscribed by BT Solar Sdn Bhd. As a result of the subscription of shares, NSSB became an indirect 70% owned subsidiary of the Company.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:-

	The Group 2018 RM
Concession assets	91,160
Cash and bank balances	200,035
Other payables	(138,590)
Net identifiable assets acquired	152,605
Less: Non-controlling interests	(45,781)
Add: Goodwill on acquisition (Note 13)	33,175
Total purchase consideration, to be settled by cash	139,999
Less: Cash and bank balances of a subsidiary acquired	(200,035)
Net cash inflow from the acquisition of a subsidiary	(60,036)

44.2 Acquisition of Non-Controlling Interests

On 16 April 2018, the Company acquired the remaining 49% equity interest in Datapuri Sdn Bhd ("Datapuri") comprising 980,000 ordinary shares from Exclusive Acres Sdn Bhd for a cash consideration of RM2,500,000. The Group recognised a decrease in non-controlling interests of RM3,285,640 and a decrease in retained profits of RM785,640.

The following summarises the effect of changes in the equity interests in Datapuri that is attributable to the owners of the Company:-

	The Group 2018 RM
Equity interest at 1 June	3,163,680
Effect of increase in the Company's ownership interest	(3,285,640)
Share of post acquisition profits	121,960
Equity interest at 31 May	-

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

45. DISPOSAL OF A SUBSIDIARY

On 10 July 2017, the Group disposed of its wholly owned subsidiary, Desiran Impian Sdn Bhd which formed part of the Plantation Division. The Group ceased control of the subsidiary upon the deemed completed disposal on 27 November 2017.

The following summarised the major classes of consideration received, and the amounts of assets disposed of and liabilities transferred at the date of disposal:-

(a) Financial Effect Arising from Disposal

	The Group 2018 RM
Property, plant and equipment	1,036,007
Biological assets	11,804,610
Deferred tax assets	3,365,008
Inventories	113,850
Other receivables	4,174
Cash and bank balances	2,377
Other payables	(21,771)
Net assets disposed	16,304,255
Sale consideration	(15,000,000)
Loss on disposal of a subsidiary	1,304,255

(b) Cash Flows Arising from Disposal

	The Group 2018 RM
Sale consideration	15,000,000
Settlement by way of land	(6,750,000)
Balance of consideration	(6,750,000)
Cash and cash equivalents of subsidiary disposed of	(2,377)
Net cash inflow	1,497,623

46. DIVIDENDS

	The Company	
	2018 RM	2017 RM
First and final dividend of 3 sen per ordinary share in respect of the financial year ended 31 May 2017	19,758,270	-
First and final dividend of 7 sen per ordinary share in respect of the financial year ended 31 May 2016	-	18,103,636

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

46. DIVIDENDS (CONT'D)

The directors proposed a first and final dividend of 3 sen per share in respect of the financial year ended 31 May 2018 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.

47. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cost of property, plant and equipment purchased	30,602,023	9,967,652	163,655	113,956
Amount financed through hire purchase	(25,796,499)	(5,252,500)	-	-
Cash disbursed for purchase of property, plant and equipment	<u>4,805,524</u>	<u>4,715,152</u>	<u>163,655</u>	<u>113,956</u>

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

	Bankers' Acceptances RM	Revolving Credits RM	Trust Receipts RM	Hire Purchase Payables RM	Term Loans RM	Total RM
	The Group 2018					
At 1 June	4,693,000	15,200,000	-	10,966,741	154,208,656	185,068,397
<u>Changes in Financing Cash Flows</u>						
Proceeds from drawdown	-	24,799,000	169,000	-	82,786,312	107,754,312
New hire purchase	-	-	-	25,796,499	-	25,796,499
Repayment of bank borrowings	(4,693,000)	(5,000,000)	-	-	(22,297,658)	(31,990,658)
Repayment of hire purchase payables	-	-	-	(7,188,449)	-	(7,188,449)
Foreign exchange difference	-	-	-	-	(4,355,524)	(4,355,524)
Repayment of borrowing interest	-	555,671	-	1,487,781	1,086,717	3,130,169
<u>Non-cash Changes</u>						
Finance charges recognised in profit or loss	-	(555,671)	-	(1,487,781)	(1,086,717)	(3,130,169)
At 31 May	<u>-</u>	<u>34,999,000</u>	<u>169,000</u>	<u>29,574,791</u>	<u>210,341,786</u>	<u>275,084,577</u>

Comparative information is not presented by virtue of the exemption given in FRS 107.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

47. CASH FLOW INFORMATION (CONT'D)

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

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Short term funds	54,367,780	59,434,935	1,012,489	21,187,723
Deposits with licensed banks	92,542,024	87,908,616	13,629,330	22,010,349
Cash and bank balances	131,016,957	114,571,701	25,666,610	7,250,506
Bank overdrafts (Note 28)	(8,326,437)	(7,521,756)	-	-
	<u>269,600,324</u>	<u>254,393,496</u>	<u>40,308,429</u>	<u>50,448,578</u>
Cash and cash equivalents under assets classified as assets held for sale	-	142,612	-	-
	<u>269,600,324</u>	<u>254,536,108</u>	<u>40,308,429</u>	<u>50,448,578</u>
Less: Fixed deposits pledged as security values (Note 22)	(60,536,580)	(53,314,789)	(11,345,768)	(10,523,181)
Cash and cash equivalents	<u>209,063,744</u>	<u>201,221,319</u>	<u>28,962,661</u>	<u>39,925,397</u>

48. 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 or common significant influence. 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 includes Executive Directors and Non-Executive Directors and certain members of senior management of the Group and of the Company.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

48. RELATED PARTY DISCLOSURES (CONT'D)

(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	
	2018 RM	2017 RM	2018 RM	2017 RM
Subsidiaries				
Accretion of interest on amount owing by subsidiaries	-	-	1,828,435	(746,228)
Advances to	-	-	(35,917,100)	(128,276,585)
Gross dividend income	-	-	32,200,000	45,000,000
Interest income received/receivable	-	-	5,235,288	3,338,562
Management fee received/receivable	-	-	8,706,000	6,593,000
Payment on behalf	-	-	(34,858)	(30,615)
Rental expense - land and building	-	-	(305,477)	(202,392)
Related parties				
Subcontractor work payable to				
- Datapuri Sdn Bhd (i)	-	(7,046,497)	-	-
- Kok Khim Boon (ii)	(20,931,646)	(11,883,516)	-	-
Purchase motor vehicles from				
- Jawira Sdn Bhd (iii)	(1,325,332)	(296,215)	-	-
- M Pro Garage Auto Specialist (iii)	(23,414)	-	-	-
Legal fees paid or payable to a company in which a director of the Company is a member	-	(67,734)	-	-
Training fees paid or payable to a company in which a director of the Company is a member	(30,000)	(24,000)	(30,000)	(24,000)
Joint ventures				
Management fee received/receivable	288,000	-	-	-
Subcontractor work received	128,155	-	-	-

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

48. RELATED PARTY DISCLOSURES (CONT'D)

(b) Related party transactions (Cont'd)

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

- (i) Datapuri Sdn Bhd became a wholly-owned subsidiary of the Company during the financial year, as disclosed in Note 5(c). Therefore, it is no longer a related party at the end of the financial year.
- (ii) Tan Sri Dato' Kok Onn's brother.
- (iii) Jawira Sdn Bhd and M Pro Garage Auto Specialist are companies wholly-owned by persons connected to Tan Sri Dato' Kok Onn.

49. CAPITAL COMMITMENTS

	The Group	
	2018 RM	2017 RM
Purchase of land for investment property	-	50,121,000
Purchase of plant and machinery	-	7,523,992
Purchase of motor vehicles	-	623,000
	-	58,267,992

50. 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. 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 M&E 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 – investment activities and provision of management services.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

50. OPERATING SEGMENTS (CONT'D)

	← Continuing operations →			Discontinued operations		Group RM
	Construction division RM	Property division RM	Utility division RM	Investment holding RM	Plantation division RM	
The Group 2018						
Total revenue	378,130,958	195,825,720	22,813,726	40,906,000	235,482	637,911,886
Less: Inter-segment revenue	-	(711,295)	-	(40,906,000)	-	(41,617,295)
Revenue from external customers	378,130,958	195,114,425	22,813,726	-	235,482	596,294,591
Results						
Segment results	83,953,924	66,739,335	464,063	(17,642,559)	(154,948)	133,359,815
Finance costs	(159,885)	(1,260,562)	(403,700)	-	(519)	(1,824,666)
Share of results in joint ventures	934,105	-	-	-	-	934,105
Profit/(Loss) before taxation	84,728,144	65,478,773	60,363	(17,642,559)	(155,467)	132,469,254
Income tax expense						(35,547,334)
Profit after taxation						96,921,920
Non-controlling interests						(12,723)
Net profit attributable to owners						96,909,197

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

50. OPERATING SEGMENTS (CONT'D)

	Continuing operations			Discontinued operations	Group
	Construction division RM	Property division RM	Utility division RM		
The Group 2018					
Segment assets	423,294,340	1,054,292,738	172,447,847	-	1,702,501,794
Segment liabilities	236,188,079	691,784,364	64,070,951	-	993,293,652
Other information:					
- Depreciation and amortisation	19,558,097	625,785	2,835,000	-	23,067,138
- Capital expenditure	86,351,367	2,105,428	39,182,707	-	127,803,156

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

50. OPERATING SEGMENTS (CONT'D)

	← Continuing operations →			Discontinued operations		Group RM
	Construction division RM	Property division RM	Utility division RM	Investment holding RM	Plantation division RM	
The Group						
2017						
Total revenue	286,712,184	244,733,091	23,067,043	51,593,000	2,671,520	608,776,838
Less: Inter-segment revenue	(88,781)	(557,431)	-	(51,593,000)	-	(52,239,212)
Revenue from external customers	<u>286,623,403</u>	<u>244,175,660</u>	<u>23,067,043</u>	<u>-</u>	<u>2,671,520</u>	<u>556,537,626</u>
Results						
Segment results	83,553,324	64,059,568	5,189,912	(8,989,511)	(2,944,746)	140,868,547
Finance costs	(534,287)	(1,222,810)	(538,440)	-	(7,727)	(2,303,264)
Share of results in joint ventures	36,945	-	-	-	-	36,945
Profit/(Loss) before taxation	83,055,982	62,836,758	4,651,472	(8,989,511)	(2,952,473)	138,602,228
Income tax expense						(37,995,808)
Profit after taxation						<u>100,606,420</u>
Non-controlling interests						<u>(490,294)</u>
Net profit attributable to owners						<u>100,116,126</u>

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

50. OPERATING SEGMENTS (CONT'D)	Continuing operations			Discontinued operations	Group RM
	Construction division RM	Property division RM	Utility division RM		
The Group 2017	325,820,859	868,600,065	159,671,783	15,521,021	1,426,484,099
Segment assets	174,539,520	565,930,917	53,199,119	521,021	795,312,990
Segment liabilities	18,079,303	563,788	2,645,694	1,108,597	22,428,199
Other information:	12,377,313	422,580	32,130,158	262,804	45,306,811
- Depreciation and amortisation					
- Capital expenditure					

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

50. 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 two main geographical areas:

- (i) Malaysia – the operations in this area are principally civil engineering and construction works, M&E works, property development and investment holding.
- (ii) Indonesia – the operations in this area are principally water concessions and power concession.

	Total revenue from external customers RM	Segment assets RM	Capital expenditure RM
2018			
Malaysian - continuing operations	573,245,383	1,536,215,469	88,620,449
Malaysian - discontinued operations	235,482	-	-
Indonesia	22,813,726	166,286,325	39,182,707
	596,294,591	1,702,501,794	127,803,156
2017			
Malaysian - continuing operations	530,799,063	1,272,045,808	12,913,849
Malaysian - discontinued operations	2,671,520	15,521,021	262,804
Indonesia	23,067,043	138,917,270	32,130,158
	556,537,626	1,426,484,099	45,306,811

MAJOR CUSTOMERS

The following are major customers from Construction Division with revenue equal to or more than 10% of Group revenue:

	Revenue	
	2018 RM	2017 RM
Customer A	151,665,158	91,481,890
Customer B	144,723,753	161,118,046
	296,388,911	252,599,936

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

51. 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	
	2018 RM	2017 RM
United States Dollar	3.9900	4.3704
Indonesian Rupiah	0.000286	0.000321

52. 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.

52.1 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 United States Dollar ("USD"). 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 and USD denominated net financial assets/(liabilities).

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

52. FINANCIAL INSTRUMENTS (CONT'D)

52.1 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 tax if the IDR and USD had strengthened/weakened by 5% against RM are as follows:-

Foreign Currency Exposure

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Net financial assets/ (liabilities) denominated in IDR	(9,937,146)	17,516,533	335,368	3,561,802
Effects on profit after taxation/ other comprehensive income				
<u>IDR/RM</u>				
Strengthened by 5%	(377,612)	665,628	12,744	135,348
Weakened by 5%	377,612	(665,628)	(12,744)	(135,348)
			The Group	
			2018 RM	2017 RM
Net financial assets/ (liabilities) denominated in USD			(7,492,920)	(10,524,481)
Effects on profit after taxation/ other comprehensive income				
<u>USD/RM</u>				
Strengthened by 5%			(284,731)	(399,930)
Weakened by 5%			284,731	399,930

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

52. FINANCIAL INSTRUMENTS (CONT'D)

52.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest bearing assets are fixed deposits with licensed banks. The interest rates on these deposits are monitored closely to ensure that they are maintained at favourable rates. The Group considers the risk of significant changes to interest rates on fixed deposits to be unlikely.

Interest rate exposure arises mainly from the Group's bank borrowings. The Group manages its interest rate exposure by maintaining a balanced portfolio mix of fixed and floating rate bank borrowings.

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 summarised as follows:-

	The Group	
	2018 RM	2017 RM
Bank overdrafts	8,326,437	7,521,756
Revolving credits	34,999,000	15,200,000
Term loans	210,341,786	154,208,656
	<u>253,667,223</u>	<u>176,930,412</u>

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	
	2018 RM	2017 RM
<i>Effects on profit after taxation/ Other Comprehensive Income</i>		
Increase of 10 basis points	(192,787)	(134,467)
Decrease of 10 basis points	192,787	134,467

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

52. FINANCIAL INSTRUMENTS (CONT'D)

52.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(iii) *Equity Price Risk*

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

(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 Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 3 months, which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

52. FINANCIAL INSTRUMENTS (CONT'D)

52.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by 2 customers which constituted approximately 31% (2017 - 37%) of its trade receivables as at the end of the reporting period.

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables (including related parties) at the end of the reporting period is as follows:-

	The Group	
	2018	2017
	RM	RM
Malaysia	58,427,104	61,025,301
Indonesia	2,016,044	3,098,788
	60,443,148	64,124,089

(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. As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

52. FINANCIAL INSTRUMENTS (CONT'D)

52.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Ageing analysis

The ageing analysis of trade receivables is as follows:-

	Gross amount RM	Individual impairment RM	Collective impairment RM	Carrying value RM
The Group				
2018				
Not past due	43,905,262	-	-	43,905,262
Past due:				
- less than 3 months	14,966,580	-	-	14,966,580
- more than 6 months	1,453,795	-	-	1,453,795
- more than 1 year	254,987	(137,476)	-	117,511
	60,580,624	(137,476)	-	60,443,148
2017				
Not past due	53,581,546	-	-	53,581,546
Past due:				
- less than 3 months	9,787,518	-	-	9,787,518
- more than 6 months	650,543	-	-	650,543
- more than 1 year	241,958	(137,476)	-	104,482
	64,261,565	(137,476)	-	64,124,089

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

(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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

52. FINANCIAL INSTRUMENTS (CONT'D)
 52.1 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):-

	Effective interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 - 5 years RM	Over 5 years RM
The Group						
2018						
<u>Non-derivative Financial Liabilities</u>						
Trade and non-trade payables	-	664,704,900	665,084,151	392,038,783	273,045,368	-
Bank overdrafts	6.69	8,326,437	8,326,437	8,326,437	-	-
Revolving credits	4.77-6.69	34,999,000	35,370,022	35,370,022	-	-
Trust receipts	7.95	169,000	172,092	172,092	-	-
Hire purchase payables	4.46-7.07	29,574,791	32,866,750	12,528,617	20,131,483	206,650
Term loans	4.46-12.50	210,341,786	256,149,708	23,581,545	182,919,172	49,648,991
		948,115,914	997,969,160	472,017,496	476,096,023	49,855,641

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

52. FINANCIAL INSTRUMENTS (CONT'D)

52.1 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)

	Effective interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 - 5 years RM	Over 5 years RM
The Group						
2017						
<u>Non-derivative Financial Liabilities</u>						
Trade and non-trade payables	-	523,825,327	527,263,554	283,345,998	243,917,556	-
Bank overdrafts	7.71	7,521,756	7,521,756	7,521,756	-	-
Bankers' acceptances	4.47-4.48	4,693,000	4,693,000	4,693,000	-	-
Revolving credits	4.51-5.78	15,200,000	15,249,893	15,249,893	-	-
Hire purchase payables	4.46-7.07	10,966,741	12,147,667	4,423,676	3,738,176	3,985,815
Term loans	4.46-12.50	154,208,656	197,858,622	27,342,643	117,196,633	53,319,346
		<u>716,415,480</u>	<u>764,734,492</u>	<u>342,576,966</u>	<u>364,852,365</u>	<u>57,305,161</u>

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

52. FINANCIAL INSTRUMENTS (CONT'D)

52.1 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)

	Effective interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 - 5 years RM	Over 5 years RM
The Company						
2018						
<u>Non-derivative Financial Liabilities</u>						
Trade and non-trade payables	-	698,486	698,486	698,486	-	-
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	-	-	599,795,219	599,795,219	-	-

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

52. FINANCIAL INSTRUMENTS (CONT'D)

52.1 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)

	Effective interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 - 5 years RM	Over 5 years RM
The Company						
2017						
<u>Non-derivative Financial Liabilities</u>						
Trade and non-trade payables	-	831,262	831,262	831,262	-	-
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	-	-	473,686,630	473,686,630	-	-

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

52. FINANCIAL INSTRUMENTS (CONT'D)

52.2 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 cash and cash equivalent which includes fixed deposits pledged as security values. Total equity includes equity attributable to the owners of the parent and non-controlling interests.

The debt-to-equity ratio of the Group and the Company as at the end of the reporting period was as follows:-

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Total interest bearing financial liabilities	283,411,014	192,590,153	-	-
Less: Cash and cash equivalents	(269,600,324)	(254,393,496)	(40,308,429)	(50,448,578)
Net debt/(Net cash)	13,810,690	(61,803,343)	(40,308,429)	(50,448,578)
Total equity	709,208,142	631,171,109	370,988,701	357,962,352
Debt-to-equity	0.02	Not applicable	Not applicable	Not applicable

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

52. FINANCIAL INSTRUMENTS (CONT'D)

52.3 Classification of Financial Instruments

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Financial Assets				
<u>Available-for-sale</u>				
Other investment	100,000	100,000	-	-
<u>Loans and Receivables</u>				
Trade and non-trade receivables	133,702,392	122,660,110	212,578,863	181,818,983
Deposits with licensed banks	92,542,024	87,908,616	13,629,330	22,010,349
Cash and bank balances	131,016,957	114,571,701	25,666,610	7,250,506
	<u>357,261,373</u>	<u>325,140,427</u>	<u>251,874,803</u>	<u>211,079,838</u>
<u>Fair Value through Profit or Loss</u>				
Short term funds	54,367,780	59,434,935	1,012,489	21,187,723
Financial Liabilities				
<u>Other Financial Liabilities</u>				
Trade and non-trade payables	(664,704,900)	(523,825,327)	(698,486)	(831,262)
Bank borrowings	(283,411,014)	(192,590,153)	-	-
	<u>(948,115,914)</u>	<u>(716,415,480)</u>	<u>(698,486)</u>	<u>(831,262)</u>

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

52. FINANCIAL INSTRUMENTS (CONT'D)

52.4 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 fair value of the Group's investment in unquoted shares with carrying amount of RM100,000 (2017 - RM100,000) is not presented due to the lack of marketability of the shares and the fair value cannot be reliably measured.

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 RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
The Group								
2018								
<u>Financial Asset</u>								
Short term funds	54,367,780	-	-	-	-	-	54,367,780	54,367,780
<u>Financial Liabilities</u>								
Land proprietor's entitlement	-	-	-	-	-	336,382,222	336,382,222	263,324,477
Term loans	-	-	-	-	210,341,786	-	210,341,786	210,341,786
Hire purchase payables	-	-	-	-	29,637,875	-	29,637,875	29,574,791

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

52. FINANCIAL INSTRUMENTS (CONT'D)

52.4 Fair Value Information (Cont'd)

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
The Group								
2017								
<u>Financial Asset</u>								
Short term funds	59,434,935	-	-	-	-	-	59,434,935	59,434,935
<u>Financial Liabilities</u>								
Land proprietor's entitlement	-	-	-	-	-	372,154,662	372,154,662	282,902,879
Term loans	-	-	-	-	154,208,656	-	154,208,656	154,208,656
Hire purchase payables	-	-	-	-	11,192,464	-	11,192,464	10,966,741

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

52. FINANCIAL INSTRUMENTS (CONT'D)	52.4 Fair Value Information (Cont'd)	Fair Value of Financial Instruments Carried at Fair Value		Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
		Level 1	Level 2	Level 1	Level 2	Level 3		
		RM	RM	RM	RM	RM		
	The Company							
	2018							
	<u>Financial assets</u>							
	Short term funds	1,012,489	-	-	-	-	1,012,489	1,012,489
	Amount owing by subsidiaries	-	-	-	118,135,151	3,661,595	121,796,746	121,796,747
	2017							
	<u>Financial assets</u>							
	Short term funds	21,187,723	-	-	-	-	21,187,723	21,187,723
	Amount owing by subsidiaries	-	-	-	98,838,562	6,533,161	105,371,723	105,371,723

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

52. FINANCIAL INSTRUMENTS (CONT'D)

52.4 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:

The fair value of short term funds is determined at their quoted closing bid prices at the end of the reporting period.

- (ii) There were no transfer between level 1 and level 2 during the financial year.

(b) Fair Value of Financial Instruments not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

- (i) The fair values of the Group's term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.
- (ii) The fair values of hire purchase payables are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	The Group	
	2018	2017
	%	%
Hire purchase payables	4.48-6.69	4.95-8.59

53. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are as follows:-

- (a) On 9 June 2017, the Company's wholly-owned subsidiary, Gadang Engineering (M) Sdn Bhd ("GESB") subscribed for an additional 509,490 ordinary shares in Gadang CRFG Consortium Sdn Bhd ("GCC") for a cash consideration of RM509,490 pursuant to the Shareholders Agreement. Following the subscription, GESB's investment increased to RM510,000. CRFG Malaysia Berhad ("CRFG") had also on the same day subscribed for 489,510 shares in GCC for a cash consideration of RM489,510. GESB's and CRFG's percentage shareholding interests in GCC remain unchanged at 51% and 49% respectively.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 May 2018 (Cont'd)

53. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

The significant events during the financial year are as follows:- (Cont'd)

- (b) On 29 June 2017, the Company's wholly-owned subsidiary, Regional Utilities Sdn Bhd subscribed for 70% equity interest representing 139,999 ordinary shares in Nusantara Suriamas Sdn Bhd ("NSSB") for a total cash consideration of RM139,999. The remaining 30% equity interest in NSSB was subscribed by BT Solar Sdn Bhd. As a result of the subscription of shares, NSSB became an indirect 70% owned subsidiary of the Company.
- (c) On 10 July 2017, the Company's wholly-owned subsidiary, Gadang Plantations Holdings Sdn Bhd entered into a Sale of Shares Agreement with Kumpulan Sawit Tan Holdings Sdn Bhd in relation to the 100% equity interest disposal of 250,000 ordinary shares in Desiran Impian Sdn Bhd for a total cash consideration of RM15,000,000. The disposal was deemed completed on 27 November 2017.
- (d) On 6 February 2018, the Company's indirect wholly-owned subsidiary, Splendid Pavilion Sdn Bhd entered into a conditional Sale and Purchase Agreement with GP Views Development Sdn Bhd for the acquisition of 2 parcels of freehold land measuring approximately 78 acres located at Pontian, State of Johor Darul Takzim for a purchase consideration of RM149,000,000.
- (e) On 16 April 2018, the Company acquired the remaining 49% equity interest in Datapuri Sdn Bhd ("Datapuri") comprising 980,000 ordinary shares from Exclusive Acres Sdn Bhd for a cash consideration of RM2,500,000. Pursuant to the acquisition, Datapuri became a wholly-owned subsidiary of the Company.

LIST OF PROPERTIES

As At 31 May 2018

Title/Location	Description/ Existing use	Tenure	Acquisition Date (Revaluation Date)	Approximate Land/(Built-up) Area in sq. ft	Carrying Value (RM)
Wisma Gadang No. 52 Jalan Tago 2 Off Jalan Persiaran Utama Sri Damansara 52200 Kuala Lumpur	7 storey office block for own use	Freehold	(June 1997)	42,619 (45,043)	8,169,832
Tampoi Land Mukim Johor Bahru HS(D) 547601 PT No. PTB 24274	Mixed integrated commercial development	Freehold	31/07/2003	439,727	21,318,469
Salak South Land Mukim Kuala Lumpur HS(D) 51683 Lot 480759; HS(D) 51684 Lot 480760; HS(D) 51685 Lot 480761; HS(D) 51686 Lot 480762; HS(D) 51687 Lot 480763; HS(D) 51688 Lot 480764; HS(D) 51689 Lot 480765; HS(D) 51690 Lot 480766; HS(D) 51691 Lot 480767; HS(D) 51692 Lot 480768; HS(D) 51693 Lot 480769	Mixed development	Leasehold ending 17/06/2112	27/01/2010	531,432	9,126,974
Plot No. 209 held under HS(D) 252119 PT No. 1014; Plot No. 211 held under HS(D) 252212 PT No. 1016; Plot No. 212 held under HS(D) 2521122 PT No. 1017; Plot No. 201 held under HS(D) 252138 PT No. 1033; Plot No. 202 held under HS(D) 252126 PT No. 1021; Plot No. 203 held under HS(D) 252127 PT No. 1022; Pekan Baru Sungai Besi District of Petaling Selangor	Vacant bungalow lot for sale/ development	Leasehold ending 01/12/2107	31/01/2010	62,123	8,822,788
Pokok Sena Lot 165, Pokok Sena Kedah	Mixed development	Freehold	11/06/2010	8,786,923	13,927,293
Gasing Indah Land Mukim Kuala Lumpur HS(D) 171475 PT No.399	Land held for development	Freehold	17/06/2010	46,165	3,693,200

LIST OF PROPERTIES

As At 31 May 2018 (Cont'd)

Title/Location	Description/ Existing use	Tenure	Acquisition Date (Revaluation Date)	Approximate Land/(Built-up) Area in sq. ft	Carrying Value (RM)
Pajakan Mukim No. Hakmilik 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	4,455,075
PM 317 Lot 4249 Mukim Setapak Tempat Dusun Ranjau Daerah Kuala Lumpur	Land for development	Leasehold ending 02/02/2091	25/10/2013	413,883	33,110,000
Lot 20504, Mukim Semenyih District of Ulu Langat State of Selangor	Land for development	Freehold	30/01/2015	2,737,262	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	57,256,977

ANALYSIS OF SHAREHOLDINGS & WARRANT HOLDINGS

I. ANALYSIS OF SHAREHOLDINGS as at 30 August 2018

Share Capital

Number of Issued Shares :	661,720,995
Class of Shares :	Ordinary shares
No. of shareholders :	12,813
Voting Rights :	One vote per ordinary share (on a poll)

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 99	238	1.86	10,030	0.00
100 - 1,000	988	7.71	691,169	0.10
1,001 - 10,000	7,153	55.83	38,960,587	5.89
10,001 - 100,000	3,916	30.56	122,802,507	18.56
100,001 - 33,086,048	515	4.02	296,433,849	44.80
33,086,049* and above	3	0.02	202,822,853	30.65
Total	12,813	100.00	661,720,995	100.00

* denotes 5% of issued shares

REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares Held			
	Direct Interest	%	Deemed Interest	%
1. Sumber Raswira Sdn Bhd	81,525,402	12.32	-	-
2. Tan Sri Dato' Kok Onn	10,929,700	1.65	168,993,353 ^(a)	25.54
3. Meloria Sdn Bhd	87,467,951	13.22	-	-
4. Employees Provident Fund Board	46,187,550	6.98	-	-
5. Lembaga Tabung Haji	33,829,500	5.11	-	-
6. Puan Sri Datin Chan Ngan Thai	-	-	87,467,951 ^(b)	13.22

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 (Cont'd)

THIRTY LARGEST SHAREHOLDERS

	No. of Shares	%
1. RHB Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Meloria Sdn Bhd</i>	87,467,951	13.22
2. JF Apex Nominees (Tempatan) Sdn Bhd <i>Pledged securities for Sumber Raswira Sdn Bhd</i>	81,525,402	12.32
3. Lembaga Tabung Haji	33,829,500	5.11
4. Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board</i>	24,841,800	3.75
5. UOB Kay Hian Nominees (Asing) Sdn Bhd <i>Exempt An For UOB Kay Hian Pte Ltd (AIC Clients)</i>	14,862,500	2.25
6. Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (RHBIslamic)</i>	10,584,400	1.60
7. Citigroup Nominees (Asing) Sdn Bhd <i>Exempt An For Citibank New York (Norges Bank 14)</i>	8,918,250	1.35
8. Citigroup Nominees (Asing) Sdn Bhd <i>CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc</i>	7,224,100	1.09
9. Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (PHEIM)</i>	6,931,400	1.05
10. DB (Malaysia) Nominee (Asing) Sdn Bhd <i>The Bank Of New York Mellon For Acadian Emerging Markets Small Cap Equity Fund, LLC</i>	6,697,550	1.01
11. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Kok Onn</i>	6,265,000	0.95
12. Maybank Nominees (Tempatan) Sdn Bhd <i>Yeoh Ah Tu</i>	5,471,625	0.83
13. Citigroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Kok Onn</i>	4,664,700	0.70
14. Citigroup Nominees (Asing) Sdn Bhd <i>CBNY For Dimensional Emerging Markets Value Fund</i>	4,381,200	0.66
15. Law Wan Ni	3,555,250	0.54

ANALYSIS OF SHAREHOLDINGS & WARRANT HOLDINGS (Cont'd)

THIRTY LARGEST SHAREHOLDERS (Cont'd)

	No. of Shares	%
16. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Teh Win Kee</i>	3,446,200	0.52
17. Law Wan Cheen	3,241,500	0.49
18. Lee Chee Beng	3,114,750	0.47
19. Su Ming Keat	3,000,000	0.45
20. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Ko Mok Chuan (E-TMR/TMJ)</i>	2,990,000	0.45
21. DB (Malaysia) Nominee (Asing) Sdn Bhd <i>The Bank Of New York Mellon For Pension Reserves Investment Trust Fund</i>	2,932,750	0.44
22. Wu Chung Ta	2,890,000	0.44
23. DB (Malaysia) Nominee (Asing) Sdn Bhd <i>State Street Luxembourg Fund AGZC For Allianz Global Investors Fund - Allianz Best Styles Emerging Markets Equity</i>	2,837,300	0.43
24. Citigroup Nominees (Asing) Sdn Bhd <i>Exempt An For Citibank New York (Norges Bank 9)</i>	2,690,000	0.41
25. Amanahraya Trustees Berhad <i>AMITIKAL</i>	2,648,400	0.40
26. Citigroup Nominees (Asing) Sdn Bhd <i>CBNY For DFA Emerging Markets Small Cap Series</i>	2,590,300	0.39
27. DB (Malaysia) Nominee (Asing) Sdn Bhd <i>The Bank Of New York Mellon For The Board Of Regents Of The University Of Texas System</i>	2,556,250	0.39
28. Affin Hwang Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Law Wan Ni (M09)</i>	2,540,000	0.38
29. Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Exempt An For Phillip Capital Management Sdn Bhd</i>	2,407,350	0.36
30. Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (F.TemIslamic)</i>	2,269,100	0.34
Total	349,374,528	52.79

ANALYSIS OF SHAREHOLDINGS & WARRANT HOLDINGS (Cont'd)

II. ANALYSIS OF WARRANT HOLDINGS as at 30 August 2018

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	:	5,660
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	%
Less than 99	336	5.93	13,034	0.01
100 - 1,000	1,444	25.51	951,968	0.74
1,001 - 10,000	2,235	39.49	10,758,714	8.32
10,001 - 100,000	1,412	24.95	50,233,282	38.86
100,001 - 6,462,700	233	4.12	67,297,041	52.07
6,462,701* and above	0	0.00	0	0.00
Total	5,660	100.00	129,254,039	100.00

* denotes 5% of total Warrants unexercised

ANALYSIS OF SHAREHOLDINGS & WARRANT HOLDINGS (Cont'd)

THIRTY LARGEST WARRANT HOLDERS

	No. of Warrants	%
1. Law Wan Ni	1,456,500	1.13
2. UOB Kay Hian Nominees (Tempatan) Sdn Bhd <i>Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)</i>	1,400,050	1.08
3. Teoh Teck Hin	1,270,000	0.98
4. HSBC Nominees (Asing) Sdn Bhd <i>JPMCB NA for EVLI Emerging Frontier Fund</i>	1,167,500	0.90
5. Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Lim Kean Seng</i>	1,167,300	0.90
6. Low Geat Hong	1,115,200	0.86
7. Su Ming Keat	1,040,000	0.80
8. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Ronie Tan Choo Seng</i>	1,000,000	0.77
9. Maybank Nominees (Tempatan) Sdn Bhd <i>Mohamed Adzman Bin Mohamed Sura</i>	930,000	0.72
10. Lim Chee Meng	911,000	0.70
11. Kok Yoon Hing	874,900	0.68
12. Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Liew Swee Kong</i>	814,500	0.63
13. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Liew Swee Kong</i>	793,800	0.61
14. Ronie Tan Choo Seng	770,000	0.60
15. Maybank Nominees (Tempatan) Sdn Bhd <i>Yeoh Ah Tu</i>	755,425	0.58
16. Maybank Nominees (Tempatan) Sdn Bhd <i>Tiong Kim Hoe</i>	733,500	0.57
17. Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Lee Yeong Wai</i>	701,200	0.54
18. Maybank Securities Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Yew Teik Ghee</i>	700,000	0.54

ANALYSIS OF SHAREHOLDINGS & WARRANT HOLDINGS (Cont'd)

THIRTY LARGEST WARRANT HOLDERS (Cont'd)

	No. of Warrants	%
19. Lee Chip Hwa	650,000	0.50
20. Chu Soo Fang	648,000	0.50
21. Ng Boon Jit	630,000	0.49
22. CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Cheah Chee Siong (MY1891)</i>	602,400	0.47
23. Heng Choon Lee	600,050	0.47
24. Leong Chee Kit	600,000	0.47
25. Public Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Ko Mok Chuan</i>	590,000	0.46
26. Khaw Chin Hong	550,000	0.43
27. RHB Capital Nominees (Tempatan) Sdn Bhd <i>Yew Ren Haur</i>	550,000	0.43
28. Public Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Er Chiw Sing</i>	540,000	0.42
29. Ding Lien Bing	532,700	0.41
30. Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Ronie Tan Choo Seng</i>	500,000	0.39
Total	24,594,025	19.03

ANALYSIS OF SHAREHOLDINGS & WARRANT HOLDINGS (Cont'd)

III. DIRECTORS' SHAREHOLDINGS & WARRANT HOLDINGS as at 30 August 2018

A. DIRECTORS' SHAREHOLDINGS IN THE COMPANY

	← No. of Ordinary Shares →			
	Direct Interest	%	Deemed interest	%
Tan Sri Dato' Kok Onn	10,929,700	1.65	168,993,353 ^(a)	25.54
Boey Tak Kong	1,800,000	0.27	-	-
Kok Pei Ling	1,304,400	0.20	-	-

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. DIRECTORS' WARRANT HOLDINGS IN THE COMPANY

	← No. of Warrants →			
	Direct Interest	%	Deemed interest	%
Boey Tak Kong	310,000	0.24	-	-

C. DIRECTORS' INTERESTS UNDER GADANG HOLDINGS BERHAD EMPLOYEES' SHARE OPTION SCHEME

Name of Director	No. of Options Held
Tan Sri Dato' Kok Onn	2,174,100
Boey Tak Kong	745,200
Kok Pei Ling	1,956,600

By virtue of his interests in the shares of the Company, Tan Sri Dato' Kok Onn is also deemed interested in the shares of all the subsidiary companies to the extent the Company has an interest.

Save as disclosed, none of the other Directors of the Company had any interest in the shares, warrants and options of the Company or its related corporations as at 30 August 2018.

NOTICE OF 25TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Fifth (25th) Annual General Meeting (AGM) of Gadang Holdings Berhad (the Company) will be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 7th November 2018 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 2018 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 3 sen per share in respect of the financial year ended 31 May 2018. (Ordinary Resolution 1)
3. To approve the payment of Directors' fees of RM240,000 for the financial year ending 31 May 2019, to be made payable quarterly.
Please refer to Explanatory Note B (Ordinary Resolution 2)
4. To approve the payment of benefits payable to the Non-Executive Directors of the Company up to an amount of RM150,000 from 8 November 2018 until the next Annual General Meeting of the Company.
Please refer to Explanatory Note B (Ordinary Resolution 3)
5. To re-elect the following Directors who retire pursuant to Article 108 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-
(a) Tan Sri Dato' Kok Onn (Ordinary Resolution 4)
(b) Ms Kok Pei Ling (Ordinary Resolution 5)
6. To re-appoint Messrs Crowe Malaysia (formerly known as Crowe Horwath) as Auditors of the Company and to authorize the Directors to fix their remuneration. (Ordinary Resolution 6)

AS SPECIAL BUSINESS

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

7. **Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016**

"**THAT** pursuant to Sections 75 and 76 of the Companies Act, 2016, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the total issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad, subject always to the approvals of the relevant regulatory authorities."

Please refer to Explanatory Note C (Ordinary Resolution 7)

NOTICE OF 25TH ANNUAL GENERAL MEETING

8. Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature

"**THAT**, subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and/or its subsidiaries ("Gadang Group") to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.4 of the Circular to Shareholders dated 28 September 2018 ("Circular") with the related party listed in Section 2.3 of the Circular which transactions are necessary for the day-to-day operations, in the ordinary course of business of Gadang Group on terms which are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders;

THAT such authority shall commence immediately upon the passing of this resolution and shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless renewed by a resolution passed at that meeting;
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier;

AND THAT, the Directors and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorized by this resolution."

Please refer to Explanatory Note D

(Ordinary Resolution 8)

9. Continuing In Office As Independent Director – Mr Boey Tak Kong

"**THAT** approval be and is hereby given to Mr Boey Tak Kong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company".

Please refer to Explanatory Note E

(Ordinary Resolution 9)

NOTICE OF 25TH ANNUAL GENERAL MEETING

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the first and final dividend of 3 sen per share, for the financial year ended 31 May 2018, if approved by the shareholders at the 25th Annual General Meeting, will be paid on 7 December 2018 to Depositors whose names appear in the Record of Depositors at the close of business on 16 November 2018.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

- a. shares transferred into the Depositor's Securities Account before 4.00 p.m. on 16 November 2018 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
Company Secretary

Kuala Lumpur
28 September 2018

NOTES ON APPOINTMENT OF PROXY AND ENTITLEMENT OF ATTENDANCE

1. *Only depositors whose names appear in the Record of Depositors as at 30 October 2018 (General Meeting Record of Depositors) be regarded as members and entitled to attend, speak and vote at this meeting.*
2. *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 shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.*
3. *The Articles provide 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.*
4. *Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing the proxy must be deposited at the office of the Registered Office of the Company at Wisma Gadang, No 52, Jalan Tago 2, Off Jalan Persiaran Utama, Sri Damansara, 52200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.*
6. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice shall be put to vote by way of poll.*

NOTICE OF 25TH ANNUAL GENERAL MEETING

EXPLANATORY NOTES

A. Audited Financial Statements for the financial year ended 31 May 2018

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, which came into force on 31 January 2017, the fees and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at the general meeting.

The proposed Ordinary Resolution 2, if passed, will authorize the payment of Directors' fees to the Non-Executive Directors ("NEDs") of the Company on a quarterly basis from 1 June 2018 until 31 May 2019.

The proposed Ordinary Resolution 3, if passed, will authorize the payment of Directors' benefits to the NEDs by the Company. The Directors' benefits of RM150,000 for the period from 8 November 2018 until the next AGM in year 2019 are derived from the estimated meeting attendance allowance based on the number of scheduled meetings and unscheduled meetings (when necessary) for Board, Board Committees and general meetings as well as the number of NEDs involved in the meetings and leave passage claims of the NEDs. The meeting attendance allowance for a NED is RM1,000 per meeting. The leave passage claim for a NED is RM15,000 per annum.

C. Ordinary Resolution 7 - Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Ordinary Resolution 7 is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Companies Act, 2016, obtained from the shareholders at the last Annual General Meeting. 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 Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 8 November 2017 and which will lapse at the conclusion of this 25th Annual General Meeting.

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).

D. Ordinary Resolution 8 - Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature

The proposed Ordinary Resolution 8 is in relation to the approval of Shareholders' Mandate for Recurrent Related Party Transactions and if passed, will empower the Company and its subsidiaries ("Gadang Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for Gadang Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Details relating to Ordinary Resolution 8 are set out in the Circular to Shareholders dated 28 September 2018, which is despatched together with this Annual Report 2018.

NOTICE OF 25TH ANNUAL GENERAL MEETING

E. Ordinary Resolution 9 - Continuing In Office As Independent Director

The Board of Directors has assessed the independence of Mr Boey Tak Kong who has served as Independent Non-Executive Director for a cumulative term of more than nine years, and recommended him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:-

- (a) He has fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and thus, he would be able to provide check and balance and bring an element of objectivity to the Board.
- (b) His broad-based experience in the financial management, internal audit and corporate affairs has been contributing to the Group in matters of internal control and risk management.
- (c) Having been with the Company for more than nine years, he is familiar with the Group's business goals and has devoted sufficient time to discharge his statutory duty and fiduciary responsibility.
- (d) He has exercised due care during his tenure as Independent Non-Executive Director of the Company and has carried out his professional duty in the interest of the Company and shareholders.

The proposed Ordinary Resolution 9, if passed, will authorize Mr Boey Tak Kong to continue in office as an Independent Non-Executive Director of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

There is no Director standing for election at the 25th Annual General Meeting of the Company.

FORM OF PROXY

NUMBER OF SHARES HELD	
CDS ACCOUNT NO.	

*I/We _____ *NRIC No./Co. No.: _____
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS AND TELEPHONE NO.)

being a *member/members of GADANG HOLDINGS BERHAD hereby appoint _____

Proxy 1 _____ NRIC No.: _____
(FULL NAME IN BLOCK LETTERS)

Proxy 2 _____ NRIC No.: _____
(FULL NAME IN BLOCK LETTERS)

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the 25th Annual General Meeting of the Company to be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 7 November 2018 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 2019		
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 Ms Kok Pei Ling as Director		
6.	To re-appoint Messrs Crowe Malaysia as Auditors		
7.	To authorize the Directors to issue shares		
8.	To renew the shareholders' mandate for Recurrent Related Party Transactions		
9.	To continue in office for Mr Boey Tak Kong as Independent Director		

* Strike out whichever not applicable

Dated this _____ day of _____, 2018

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:

- Only depositors whose names appear in the Record of Depositors as at 30 October 2018 be regarded as members and entitled to attend, speak and vote at this meeting.
- 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 shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- The Articles provide 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.
- Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing the proxy must be deposited at the Registered Office of the Company at Wisma Gadang, No 52, Jalan Tago 2, Off Jalan Persiaran Utama, Sri Damansara, 52200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

Fold this flap for sealing

Then fold here

**AFFIX
STAMP**

The Company Secretary
GADANG HOLDINGS BERHAD
Wisma Gadang, No. 52 Jalan Tago 2
Off Jalan Persiaran Utama
Sri Damansara
52200 Kuala Lumpur

1st fold here

WWW.GADANG.COM.MY

GADANG HOLDINGS BERHAD (278114-K)
Wisma Gadang, No. 52 Jalan Tago 2
Off Jalan Persiaran Utama, Sri Damansara
52200 Kuala Lumpur

T : 603-6279 6288 F : 603-6275 2136
E : corporate@gadang.com.my