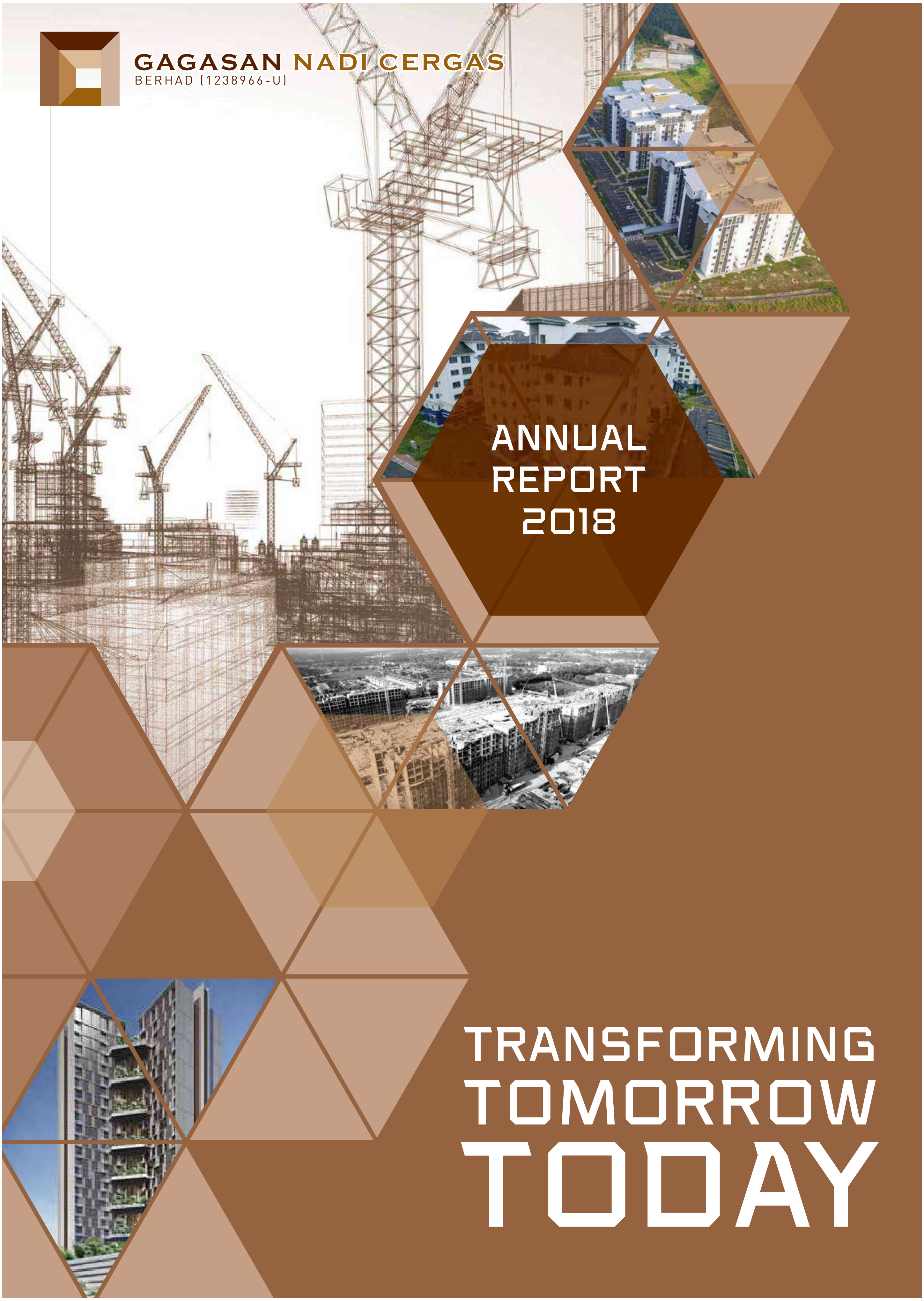


GAGASAN NADI CERGAS
BERHAD (1238966-U)

ANNUAL REPORT 2018

TRANSFORMING TOMORROW TODAY

GAGASAN NADI CERGAS
BERHAD (1238966-U)

2nd ANNUAL GENERAL MEETING

10.00 a.m., Wednesday, 29 May 2019

Greens II Main Wing, Tropicana Golf & Country Resort, Selangor

The act of ***transforming*** is to significantly change the form, nature or appearance of an object, location or circumstance.

Since 1999, Gagasan Nadi Cergas Group has been driven by our unwavering aspiration to change the lives of Malaysians for the better, by transforming the landscape and constructing buildings and/or townships in multiple locations nationwide.

Our prowess in providing integrated 'design and build' services equips us to catalyse positive change and ensure impeccable quality from start to finish.

Our pursuit of excellence has also seen us spare neither effort nor cost, by harnessing advanced technologies such as Building Information Modelling and Industrialised Building System within our projects.

Guided by our corporate vision of "Transforming Tomorrow Today", Gagasan Nadi Cergas Group is steadfast in continuously refining our expertise and scaling greater heights, supporting Malaysia's ascension into a fully-developed first-world economy.

CONTENTS

Board of Directors

Ir. Dr. Muhamad Fuad Bin Abdullah
Independent Non-Executive Chairman

Hj Wan Azman Bin Wan Kamal
Group Managing Director

Dato' Sri Subahan Bin Kamal
Executive Director

Siti Naaishah Binti Hambali
Independent Non-Executive Director

Chng Boon Huat
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Chng Boon Huat - *Chairman*
Ir. Dr. Muhamad Fuad Bin Abdullah
Siti Naaishah Binti Hambali

REMUNERATION COMMITTEE

Siti Naaishah Binti Hambali - *Chairman*
Ir. Dr. Muhamad Fuad Bin Abdullah
Chng Boon Huat

NOMINATION COMMITTEE

Ir. Dr. Muhamad Fuad Bin Abdullah - *Chairman*
Siti Naaishah Binti Hambali
Chng Boon Huat

COMPANY SECRETARIES

Wong Wai Foong *(MAICSA 7001358)*
Lim Hooi Mooi *(MAICSA 0799764)*
Ong Wai Leng *(MAICSA 7065544)*

HEAD OFFICE

F-1 @ 8 Suria
33, Jalan PJU 1/42
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: +603-7887 3388
Fax: +603-7887 3355
Email: hq@nadicergas.com
Website: nadicergas.com

AUDITORS

Crowe Malaysia PLT (LLP0018817-LCA & AF 1018)
Level 16, Tower C
Megan Avenue II
No. 12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: +603-2788 9999
Fax: +603-2788 9998

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, Malaysia.
Tel: +603-2783 9299
Fax: +603-2783 9222

REGISTERED OFFICE

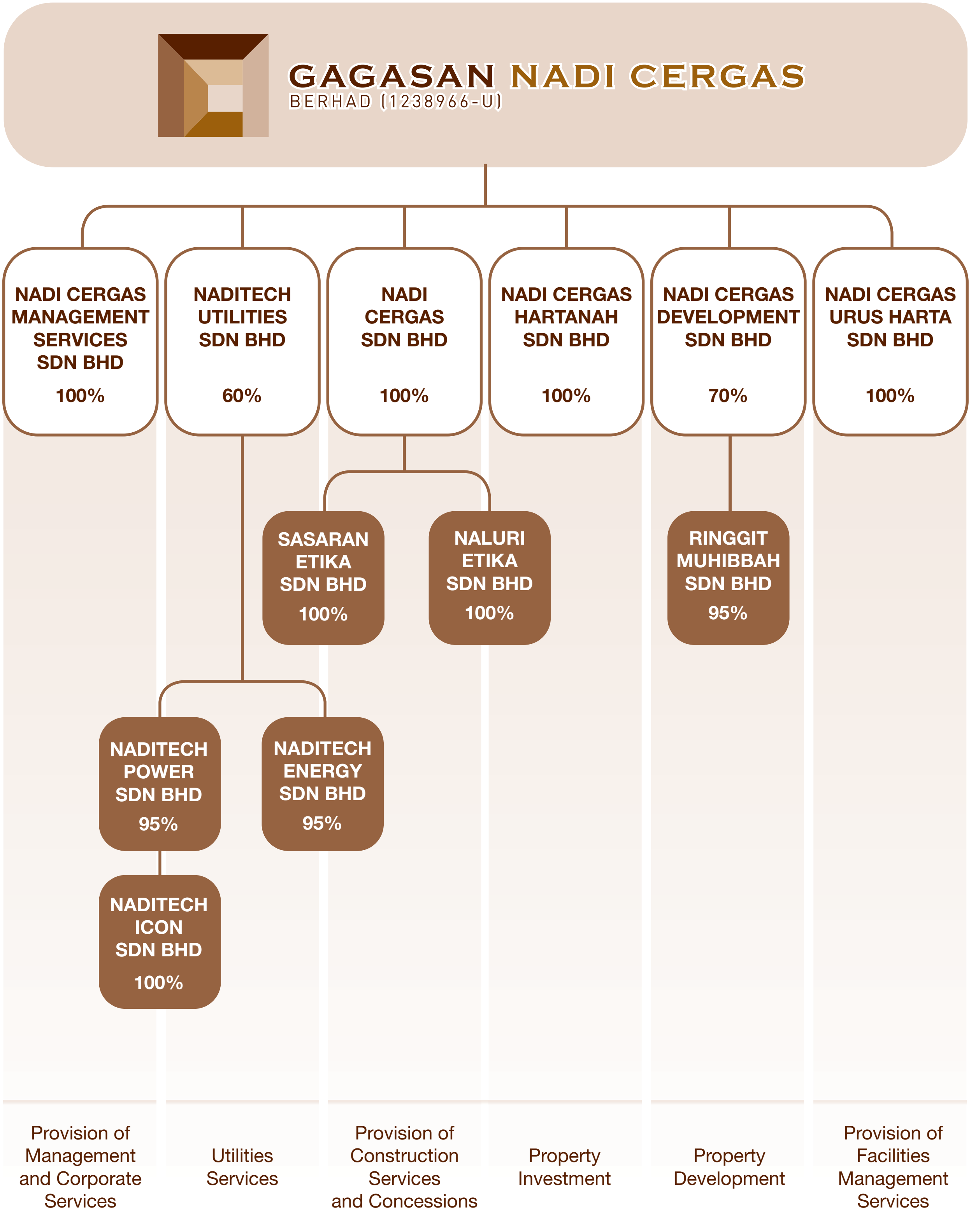
Unit 30-01, Level 30
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel: +603-2783 9191
Fax: +603-2783 9111

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad
Bursa Malaysia: NADIBHD (0206)
Bloomberg Code: GNCB MK
Reuters Code: GAGA.KL

SPONSOR

TA Securities Holdings Berhad
29th Floor, Menara TA One
22, Jalan P. Ramlee
50250 Kuala Lumpur
Tel: +603-2072 1277
Fax: +603-2161 2693


GAGASAN NADI CERGAS
BERHAD (1238966-U)
NADI CERGAS MANAGEMENT SERVICES SDN BHD 100%
NADITECH UTILITIES SDN BHD 60%
NADI CERGAS SDN BHD 100%
NADI CERGAS HARTANAH SDN BHD 100%
NADI CERGAS DEVELOPMENT SDN BHD 70%
NADI CERGAS URUS HARTA SDN BHD 100%
SASARAN ETIKA SDN BHD 100%
NALURI ETIKA SDN BHD 100%
RINGGIT MUHIBBAH SDN BHD 95%
NADITECH POWER SDN BHD 95%
NADITECH ENERGY SDN BHD 95%
NADITECH ICON SDN BHD 100%
Provision of Management and Corporate Services
Utilities Services
Provision of Construction Services and Concessions
Property Investment
Property Development
Provision of Facilities Management Services

Listed on the ACE Market of Bursa Malaysia Securities Berhad, Gagasan Nadi Cergas Berhad ("Gagasan Nadi Cergas" or "the Company") offers an integrated spectrum of businesses:

In a span of more than two decades, we have secured more than RM3 billion worth of projects and built a vast array of iconic and sizable developments, including various academic institutions, public institutional buildings and public housing projects across Malaysia.

Our stellar track record has enabled us to establish enduring business relationships built on trust and allowed us to venture into relevant segments.

CONSTRUCTION

Incepted in 1999, Nadi Cergas Sdn Bhd ("Nadi Cergas") was formed by an experienced team of industry veterans and commenced business as a contractor of building construction works. In over two decades, Gagasan Nadi Cergas has carved a distinct reputation for building and delivering quality developments. Our ability to undertake integrated design-and-build projects allow us to manage projects from initial concept to completion, thus ensuring quality at every step of the way.

In line with our constant pursuit of excellence, we spare neither effort nor cost in investing towards trailblazing technologies, deploying advanced machinery and acquiring industry benchmark technical expertise. This is seen through our endeavours on using latest technologies such as Industrialized Building System ("IBS") and Building Information Modeling ("BIM"). Leveraging on our team of qualified engineers and BIM and IBS expertise, we seek to propel ourselves to be a leading construction group providing competitive services that enhance stakeholders' values.

Nadi Cergas holds a Grade G7 license approved by the Construction Industry Development Board ("CIDB") Malaysia and Pusat Khidmat Kontraktor ("PKK") which permits the Group to bid, secure and undertake construction projects for an unlimited amount including bumiputera-allocated projects.

CONCESSION AND FACILITY MANAGEMENT

True to our ethos of being an end-to-end service provider, Gagasan Nadi Cergas not only undertakes project development from start to finish, but also provides post-completion asset management services.

Through the Private Finance Initiative ("PFI") model, our concession arm is managed by Sasaran Etika Sdn Bhd and Naluri Etika Sdn Bhd.

Our role as concessionaire includes the provision of asset management services, which execute roles such as general maintenance work, landscaping and housekeeping services.

Recognising the need to ensure the operational viability of developments we have constructed, we aim to find ways to build a sustainable revenue base for each project.

UTILITY SERVICES

Our innovation in spearheading sustainability and eco-conscious construction extends towards the management of energy for our projects.

Our utility arm under Naditech Utilities Sdn Bhd is a proven designer, builder and operator of District Cooling Systems ("DCS") and Electricity Distribution System ("EDS").

Through the utilisation of Thermal Energy Storage ("TES"), our DCS distributes cooling energy in the form of chilled water from a central source to multiple buildings through a network of underground pipes for use in space and process cooling. This innovative solution aids building owners to improve space utilisation and optimise overall electricity usage.

In 2018, Gagasan Nadi Cergas via Naditech Utilities secured a license from the Energy Commission to distribute electricity independently, thus, bestowing the Group as one of the elite utility service providers in the nation. With a steadfast commitment for a sustainable future, our team aims to play our part to achieve this goal by delivering and operating a 21st century EDS by adopting the state-of-the-art smart metering system.

PROPERTY DEVELOPMENT

Backed by our track record and prowess within the realm of construction, a natural progression for Nadi Cergas is to extend our wings into the property development sector.

Equipped with our core specialisation of design-and-build expertise, we ventured into property development through Nadi Cergas Development Sdn Bhd.

Our property development activities are not only supported by our principal competency of building construction, but with a full scope of in-house expertise, such as development planning, architectural and engineering design, quantity surveying, procurement and project management.

This has led us to undertake various notable projects nationwide, including helping to complement and support the national agenda by providing affordable housing for the 'rakyat'.

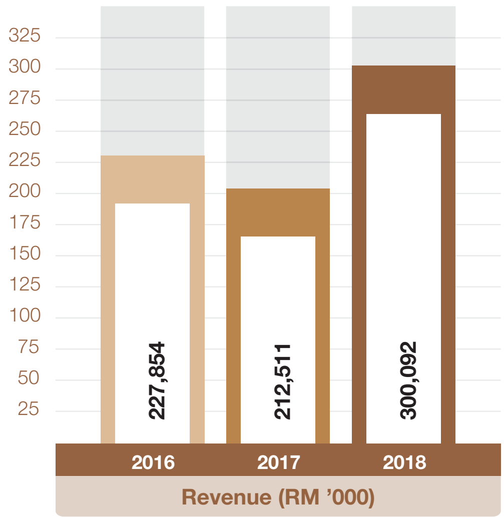
It is envisaged that this unique four-pronged business model will propel the Group's growth momentum into the future.

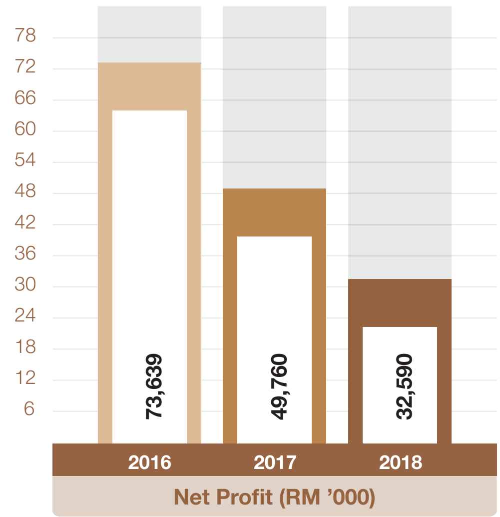
3-Year Group Financial Highlights

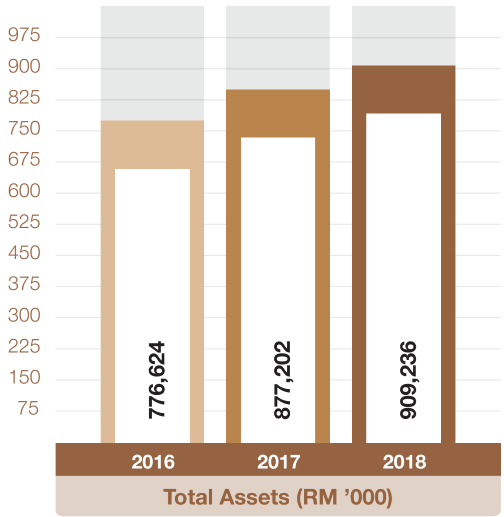
Financial Summary	2016	2017	2018
For the Financial Year Ended 31 December (RM'000)			
Revenue	227,854	212,511	300,092
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	112,044	84,457	64,800
Operating Profit	110,441	82,480	62,622
Profit before Tax ("PBT")	100,833	66,957	45,635
Net Profit Attributable to Owners of the Company	73,639	49,760	32,590
As At 31 December (RM'000)			
Equity Attributable to Owners of the Company	306,560	353,320	378,746
Share Capital	15,000	95,444	95,444
Retained Profits	291,560	257,876	283,302
Total Assets	776,624	877,202	909,236
Total Current Assets	336,641	159,219	213,110
Total Borrowings	326,522	386,853	363,216
Cash and Bank Balances and Fixed Deposits with Licensed Banks	70,489	74,066	73,706
Per Share*			
Basic Earnings per Share (sen)	9.8	6.6	4.3
Net Tangible Assets per Share (sen)	40.7	46.9	50.3
Returns (%)			
Return on Average Shareholders' Equity (%)	27.1	15.1	8.9
Return on Average Total Assets (%)	10.9	6.0	3.6
Financial Analysis			
Operating Margin (%)	48.5%	38.8%	20.9%
PBT Margin (%)	44.3%	31.5%	15.2%
Net Margin (%)	32.3%	23.4%	10.9%
Net debt-to-equity (times)	0.85	0.96	0.89

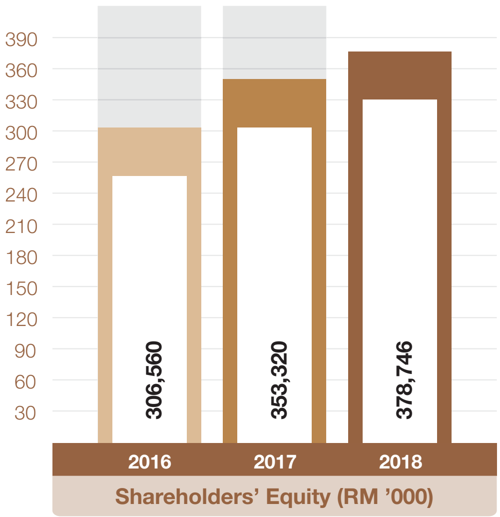
***Based on the enlarged share base of 753 million shares**

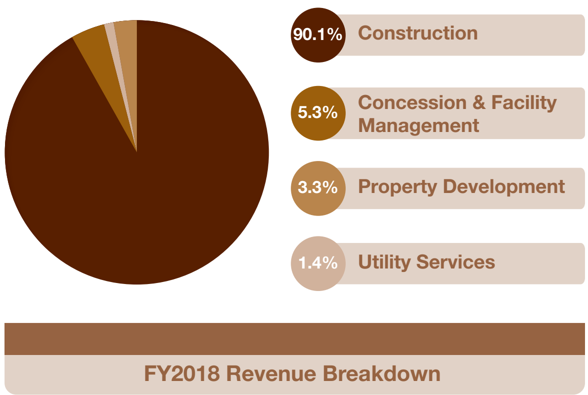
FINANCIAL HIGHLIGHTS
(Continued)

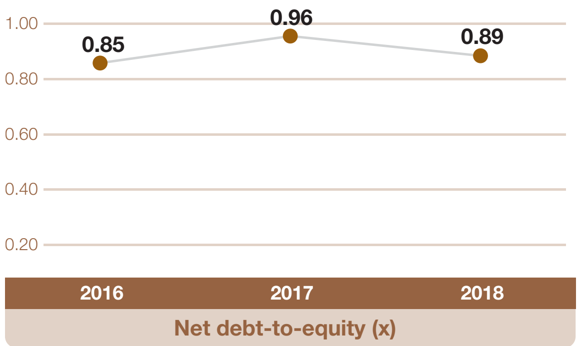












Ir. Dr. Muhamad Fuad Bin Abdullah
Chairman

Dear valued shareholders,

It is my pleasure, on behalf of the Board of Directors of Gagasan Nadi Cergas, to present to you our first annual report and audited financial statements for the financial year ended 31 December 2018 ("FY2018").

2018 ECONOMIC REVIEW

2018 proved to be a tumultuous year in the global arena marked by numerous headwinds, as the strengthening United States ("U.S.") and energy-exporting economies offset the waning financial market sentiment, trade policy uncertainty, and slowdown of China's growth. Overall, the global economy maintained gross domestic product ("GDP") expansion of 3.7% in 2018 (2017: 3.7%).

Malaysia faced its fair share of challenges in the year under review, as the nation faced wide-ranging impact of policy changes and operational procedures in light of the transition to a new government post-14th General Election. The ensuing slowdowns in private and public sector demand, including the construction and property development sectors, effectively nullified gains in net exports. Nonetheless, the Malaysian economy showcased its resilience to record moderate growth pace of 4.7% in 2018 (2017: 5.9%).

Specifically, the construction sector registered slower growth of 3.0% (2017: 6.7%), on the back of ongoing review of major infrastructure projects in line with the Government's prudent approach to reduce Government debt and expenditure.

Undergirded by our experienced management team and unique business model of recurring income streams complementing construction sector expertise, the Group delivered resilient performance under the year in review, despite adverse economic conditions.

In addition to the overall dampened economy, the property sector remained subdued as buyers grappled with stringent housing loan requirements, compounded by a mismatch between the prices of new launches and households' affordability. As a result, Malaysia noted more than 30,000 unsold completed residential units in FY2018, mainly high-end properties priced above RM500,001 per unit. In recognising this, Gagasan Nadi Cergas adopted an affordable price range for our Antara Residence development.

2019 OUTLOOK

The International Monetary Fund ("IMF") further downgraded global economic growth projections to 3.5% in 2019, on expectations of higher tariffs resulting from trade tensions between the U.S. and China, as well as tightening financial conditions in emerging markets.

Domestically, the IMF forecasted a favourable outlook with GDP expected to grow by 4.7% in 2019 — the same pace projected in 2018, spearheaded by robust domestic and external demand as well as benign inflation. However, public expenditure is expected to decrease in 2019 due to reduction in capital outlays.

Alongside this, the domestic construction sector is estimated to expand between 4.3%- 4.5% in 2019. Even so, the new Government's commitment to provide essential buildings such as hospitals, airports, educational institutions and affordable homes, are policies that bode well for the Gagasan Nadi Cergas and its Group of companies ("Group")

Meanwhile, the property market is expected to remain resilient, with windows of opportunities for recovery in the mid to longer term largely due to adjustment in housing prices to meet effective demand, and various Budget 2019 policies designed to aid first-time homebuyers.

Backed by our two-decade track record of delivering numerous essential projects across the nation and core competency in design-and-build, Gagasan Nadi Cergas is optimistic that we have the right credentials to support both public and private sector efforts to seek greater efficiencies through enhanced competitiveness.

Furthermore, Gagasan Nadi Cergas's endeavours to capture new opportunities in the construction sector are well-supported by the Group's strong foundation of recurring earnings, with our concession & facility management and utility services segments contributing positively.

APPRECIATION

I wish to extend my heartfelt thanks to the Board of Directors, management, and all employees of Gagasan Nadi Cergas for your dedication in steering the Group towards greater achievements and further success.

My sincere thanks also goes out to our business partners, associates, suppliers, customers, and valued shareholders for their steadfast support. We hope that you will continue to standby us as we strive to attain new achievements and deliver greater shareholder value.

Sincerely,

Ir. Dr. Muhamad Fuad Bin Abdullah
Chairman

Dear valued shareholders,

I am heartened to report that Gagasan Nadi Cergas has set a new milestone in our corporate history with our successful listing on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 8 January 2019.

This achievement marks the coming of age for the Group after more than 20 years of successfully completing various sizable projects across Malaysia, and has positioned us favourably to ascend a higher growth trajectory in the future.

Business Overview

Gagasan Nadi Cergas is primarily involved in four business segments, namely Construction, Concession and Facilities Management, Utility Services and Property Development.

- **Construction**

  The Group is registered with Pusat Khidmat Kontraktor and the Construction Industry Development Board as a Grade G7 contractor, which allows the Group to tender for projects with unlimited value as well as Bumiputera-allocated projects.

  Our unique proposition lies in the strength of vastly experienced management team, alongside our readiness in embracing cutting-edge technology and efficient practices to provide value engineering, cost optimisation and efficiency. These technologies and practices include:

German-Malaysian Institute

  - **Design-and-build**, a project delivery system where the design and construction aspects are contracted under a single entity to minimise project risk and reduce the delivery schedule by overlapping the design phase and construction phase of a project.
  - **Industrialised Building System**, which is a construction process that speeds up project completion by utilising prefabricated components and onsite installation.
  - **Building Information Modelling**, which provides "virtual reality" insight throughout the building construction stages. This allows for early clash detection and analysis, which enhances efficiency in implementing large-scale projects and reduces completion time.

  Over the past 20 years, these factors have served us well and allowed Gagasan Nadi Cergas to amass extensive construction experience encompassing a wide-ranging array of residential and non-residential buildings across the nation.

  Residential projects built by Gagasan Nadi Cergas include high-rise and landed properties under various housing initiative programmes such as Rumah Selangorku, Federal Land Development Authority ("FELDA") housing, 1Malaysia People's Housing ("PR1MA") and Housing for Civil Servants ("PPAM").

  Notable non-residential projects completed by the Group include the German-Malaysian Institute, the Malaysia Institute of Aviation Technology, and 4th Military Camp for the General Operations Force. Gagasan Nadi Cergas has also built and delivered seven student hostels in polytechnic campuses across six peninsular states of Selangor, Johor, Penang, Negeri Sembilan, Perak and Kelantan.

- **Concession and Facility Management**

  Gagasan Nadi Cergas currently holds two 20-year concession projects, namely student hostels for International Islamic University Malaysia ("IIUM") in Kuantan, Pahang and Universiti Teknikal Malaysia Melaka ("UTeM") in Durian Tunggal, Melaka until 2034 and 2037 respectively. Both concessions involve the Group utilising the 'build, finance, maintain and transfer' model.

  Following the completion of the construction of the student hostels for IIUM, Kuantan in 2014 and UTeM, Melaka in 2017, the Group commenced the provision of facility management of the student hostels for the remaining 20-years concession period.

- **Utility services**

  Under a 20-years agreement till 2028, Gagasan Nadi Cergas operates and maintain a DCS including a TES tank to supply chilled water to buildings within German-Malaysian Institute for their air conditioning.

  In 2017, the Group secured contracts to undertake distribution of electricity for the Datum Jelatek development in Bandar Ulu Kelang, Selangor; as well as to operate and manage the DCS for the supply of chilled water for the development's shopping mall air conditioning for a 30 years duration.

- **Property Development**

  Leveraging on its design-and-build core expertise, Gagasan Nadi Cergas ventured into the property development segment as a natural extension for the Group to move up the value chain of the construction industry.

  In 2017, the Group through Nadi Cergas Development Sdn Bhd, made its first foray into the property development segment by entering into a joint venture with ASEAN Football Federation ("AFF") to undertake the AFF mixed development. The project, located in Putrajaya, consists of the AFF headquarters and Antara Residence serviced apartments with an estimated RM194 million Gross Development Value.

Corporate Developments

Gagasan Nadi Cergas also successfully completed its Initial Public Offering ("IPO") exercise, culminating in the listing of our stock on the ACE Market of Bursa Malaysia on 8 January 2019. The Group's IPO entailed the issuance of 140.0 million new shares and offer for sale of 60.0 million existing shares, representing 26.6% of the Group's enlarged share capital. Hence, the IPO increased the Group's share capital to 753.0 million shares.

At an issue price of RM0.30 per share, the IPO raised RM42.0 million via the Public Issue of new Shares for the Group.

Of the RM42.0 million raised, RM14.0 million would be allocated for funding of AFF mixed development; RM6.5 million for capital expenditure of DCS under the Datum Jelatek development; and RM16.5 million for working capital. The balance of RM5.0 million is to defray estimated listing expenses. The total proceeds from the Offer for Sale of RM18.0 million accrued entirely to the Offeror.

Financial Overview

Consolidated Income Statement

Gagasan Nadi Cergas's revenue rose 41.2% to RM300.1 million during FY2018 from RM212.5 million registered in the financial year ended 31 December 2017 ("FY2017"), as a result of higher billings from on going construction projects as well as commencement of new construction projects, namely the Cardiology Centre for Serdang Hospital and the MARA Junior Science College ("MRSM") in Bagan Datuk, Perak.


Antara Residence, Putrajaya

The Group's pre-tax profit, however, declined by 31.9% to RM45.6 million, from RM67.0 million in FY2017. Correspondingly, net profit attributable to shareholders also lessened by 34.5% to RM32.6 million, as compared to RM49.8 million in the previous year.

The lower profitability was largely due to the completion of a higher gross profit margin UTeM Concession project in the previous financial year. In addition, the Group also incurred listing expenses related to the IPO exercise of RM2.5 million and impairment loss on a receivable amount amounting to RM3.3 million. As a result, the Group's earnings per share decreased to 5.32 sen from 8.12 sen registered a year ago.

From a segmental perspective, revenue from Construction segment reported a healthy 37.0% increase to RM270.3 million from RM197.2 million in FY2017. The segment remained the Group's primary revenue generator with 90.1% of the Group's revenue, arising from five (5) on-going construction projects. Even though Construction segment's PBT declined 51.0% to RM28.0 million from RM57.1 million a year ago due to project mix, this segment still contributed 61.4% of the Group's PBT.

The Recurring Income Segment which consists of Concession & Facility Management and Utility Services, emerged as the next largest revenue contributor with 6.7% of the Group's revenue, on 30.7% higher contribution of RM20.0 million from RM15.3 million a year ago. Significantly, the recurring income segment contributed 46.8% of the Group's PBT for FY2018, an increase of 59.7% from RM13.4 million to RM21.4 million as a result of full year contribution from UTeM Concession income in addition to the existing IIUM Concession income.

Property Development segment contributed the balance of RM9.8 million or 3.3% of the Group's revenue in 2018, from its maiden AFF property development. This segment also recorded RM1.0 million or 2.3% of the Group's PBT in 2018.

All in all, the financial report card clearly demonstrates the Group's unique model of growth-centric construction business complemented by the sustained earnings from the recurring income segment. We believe this forms the stable foundation on which the Group will launch its next growth phase.

Statement of Financial Position

The Group's total assets registered an increase of 3.65% to RM909.2 million as at 31 December 2018 from RM877.2 million in FY2017, mainly attributed by higher contract assets and working capital.

Despite higher repayment of borrowings, the Group upheld its liquidity, as cash and bank balances and fixed deposits with licensed banks as at 31 December 2018 maintained at RM73.7 million compared to RM74.1 million in FY2017.

The Group's total liabilities increased slightly by 1.2% to RM526.2 million as at 31 December 2018 from RM519.8 million a year ago due to higher trade payables, which was largely offset by lower borrowings.

Shareholders' equity rose 7.2% to stand at RM378.7 million as at 31 December 2018 compared to RM353.3 million a year ago, driven by higher retained earnings.

Consequently, the Group's net debt-to-equity ratio reduced from 0.96 times in FY2017 to 0.89 times in FY2018. It is noteworthy that approximately 85% of the Group's borrowings was to finance the construction of the IIUM and UTeM student hostels, both of which are Concession projects that are generating recurring income for the Group over the long term. Therefore, the Group believes that the rewards in the future and stable earnings adequately compensate the near-term impact.

Moving forward, Gagasan Nadi Cergas, endeavours to maintain a healthier balance sheet with gearing expected to trend down due to steady repayment of long-term concession financing.

Capital Expenditure

In FY2018, Gagasan Nadi Cergas incurred capital expenditure ("CAPEX") amounting to RM5.6 million for purchase of property, plant and equipment.

The CAPEX incurred was largely attributable to the installation of DCS at Datum Jelatek development amounting to RM4.0 million. The remaining CAPEX was used for overall business improvements such as purchase of motor vehicles and acquisition of new equipment and software.

The Group's CAPEX requirements are dependent on the scale and number of projects that are being undertaken in any given period.

4th Military camp for the General Operations Force of the Royal Malaysia Police, Semenyih

Segment Review

- **Construction Segment**

  Gagasan Nadi Cergas made steady progress in its on-going projects during the year under review, on top of securing new projects to strengthen the Group's order book which will also contribute positively towards the Group's future earnings.

  I am pleased to announce that even amidst a challenging industry backdrop, Gagasan Nadi Cergas secured RM385.4 million in new contract wins in 2018. This includes our first hospital project, namely the design and construction of the Cardiology Centre for Serdang Hospital, Selangor amounting to RM289.8 million. The Group was also awarded a RM95.6 million contract for the construction of a campus for MARA Junior Science College ("MRSM") in Bagan Datuk, Perak. This testifies to the industry's recognition of Gagasan Nadi Cergas's strong competitive edge in building essential projects nationwide.

  Securing these new wins did not distract us from delivering on and making sturdy progress in our on-going projects. The Group was at the tail-end of completing the first phase of PR1MA Homes Pasir Mas in Kelantan, in which we were tasked with the design and construction of residential buildings, including single-storey terrace, double-storey terrace, and semi-detached houses, shop offices, community hall, amenities and related facilities.

  We also made great strides in our jobs in the construction of Rumah Selangorku projects in Bukit Raja and Putra Heights, which are targeted to be completed in 2019 and 2020 respectively. The Group is currently working at full speed in its construction works for MRSM project in Bagan Datuk, Perak and Cardiology Centre for Serdang Hospital project in Selangor.

- **Recurring Income Segment**

  The Recurring Income Segment which consists of Concession & Facility Management, and Utility Services charted optimal performance during the year.

  Under our 20-year concession to lease and maintain, the Concession & Facility Management segment enjoyed the full year financial effect in 2018 as both the IIUM and UTeM Concessions were completed in previous years. Concurrently, we continue to serve our mandate to undertake the building facility management services as well as the engineering maintenance for all the equipment installed in the hostels.

  The stable recurring income streams through the IIUM and UTeM Concessions will be the bedrock of our earnings until 2034 and 2037 respectively.

  In the Utility Services segment, the Group continues to diligently play its role in maintaining and operating the DCS to supply chilled water within the German-Malaysian Institute campus, as part of its 20-year build-operate-transfer contract.

  In respect of the Datum Jelatek development, the Group has completed the installation of major equipment for DCS and the works for the installation of electricity distribution system are in progress.

  The supply of chilled water and distribution of electricity for the Datum Jelatek development are expected to commence by the second half of 2019 upon the completion of the project.

- **Property Development Segment**

  The Group has successfully completed the construction of the AFF headquarters at the end of 2018, with the Certificate of Completion and Compliance ("CCC") targeted to be issued by the 3rd quarter of 2019.

  The Group then launched the 458-unit Antara Residence in March 2018 and received positive response with a take-up rate of 41% as at 31 December 2018 based on signed and stamped Sale and Purchase Agreements. This testifies to Antara Residence's optimal price point, with units starting at RM300,000 onwards. With the foundation works completed in the end of 2018, the project is expected to be completed in 2022.

Risks Faced by The Group

Gagasan Nadi Cergas is mindful of the various risks facing the construction industry and has put in place measures to mitigate the potential impact. The following are some of the risks currently faced by the Group:

- **Competition and Business Risks**

  Intense competition could put downward pressure on our margins should construction players engage in a price war.

  We are confident that Gagasan Nadi Cergas's two-decade of track records for delivering quality and sizable projects across Malaysia, while adhering to stringent quality and safety standards, will help us to stand out in an environment where project owners have their pick of main contractors.

  The Group also believes that our competitive advantage of design-and-build coupled with leading industry technologies such as BIM and IBS, will provide significant value propositions in terms of cost-optimisation as well as quality improvement, thus offering first-class capabilities to better contend in a keener competitive environment.

- **Rising Building Material Costs**

  Gagasan Nadi Cergas is also subjected to the price fluctuation of key raw materials such as steel and cement which may impact our cost structure and bottom line.

  To manage this risk, the Group has established and constantly engaged with its wide network of trusted suppliers and sub-contractors to ensure that raw materials purchased are competitive and delivered at agreed timelines, thus enabling ideal project progress.

  Furthermore, the Group has developed proper mechanisms to manage cost fluctuations and prevent costs overrun.

- **Political, Economic and Regulatory Risks**

  With a peaceful transition of a new Malaysian Government in 2018, Malaysia is buoyed with anticipation for stronger governance, prudent public financial management and the enhanced public service delivery is expected to place the country on a dynamic growth path for the long-term.

  Gagasan Nadi Cergas could be affected by the economic climate of Malaysia, particularly the reduction of investments in the public construction sector.

  The implementation of new policies and regulations may drive higher operational and compliance costs. As such, the Board and Management maintain a close overview over the general business environment to ensure that new or alternative strategies can be deployed in a timely manner, to minimize financial and compliance impact to the Group.

  To address this risk, the Group continues to identify ways to enhance tendering competitiveness of its bids for both public and private projects.

Growth Strategies

In light of the World Bank forecasting slower growth of 4.7% GDP in Malaysia for 2019 and the Government's prudent Budget 2019, the construction sector in Malaysia is expected to continue its muted expansion. Still, the Group is heartened by the Government's stance to improving and increasing the development of essential infrastructure, the likes of hospitals, schools, and others.

Therefore, Gagasan Nadi Cergas will strive to secure new contracts for construction projects and affordable housing, grow the recurring income segment, and enhance our footprint in the property development sector. We are hopeful of achieving positive results as we leverage on our two-decade track record of completing sizable essential projects across the nation.

Mindful of these opportunities, the Group intends to fulfil its growth aspirations by implementing the following strategies:

- **Securing New Contracts for Indispensable Projects Under Construction Segment**

  Gagasan Nadi Cergas has established a track record in building infrastructure projects, such as military camps, tertiary education institutions, hospitals, and government buildings.

  Indeed, the Group kicked off 2019 on a bright note by winning a RM110.0 million contract for the proposed construction and completion of a public residential development project from Putrajaya Homes in January 2019. This brought the Group's order book to RM737.3 million as at 18 February 2019 that will provide earnings visibility for the next three years.

  Going forward, the Group will continue to participate in open tenders for contracts in the construction of buildings and development projects, leveraging on our value proposition centered on cutting-edge technologies and efficient construction methods to achieve quicker project delivery times and better overall quality.

- **Eyeing Affordable Housing Contracts**

  In the 2019 Budget, the Malaysian Government has allocated a budget of RM1.5 billion to build affordable houses under the People's Housing Program, PPAM, PR1MA and Syarikat Perumahan Negara Berhad. On top of that, more than 200,000 homes are yet to be built by Federal and State Government agencies as well as private developers under the 11th Malaysia Plan.

  With our extensive experience in building large-scale affordable housing projects coupled with core competency in design-and-build, we believe Gagasan Nadi Cergas is favourably positioned to secure more jobs within the segment.

- **Growing Recurring Income Through Provisions of Facility Management and Utility Services**

  Gagasan Nadi Cergas is steadfastly committed to grow our recurring income stream to ensure a stable foundation of sustainable earnings.

  In our bid to enhance margins from the recurring income contracts and to attain better quality, enhance cost-efficiency and drive economies of scale, the Group has acquired the entire share capital of Nadi Cergas Urus Harta Sdn Bhd ("Nadi Cergas Urus Harta") on 26 March 2019, to spearhead the Group's Facility Management Services segment.

  In line with the above growth strategies, Nadi Cergas Urus Harta has already taken over the facility management services of IIUM hostels from the out-sourced third party.

- **Enhancing Our Footprint in Property Development**

  Tapping into our core expertise of design-and-build, Gagasan Nadi Cergas opines that the decision to venture into property development is a natural extension of the Group's construction ability.

  The Group possesses a total land bank of 120.6 acres in Ulu Yam, Selangor and Lorong Haji Hussein, Kuala Lumpur, which have been earmarked for property development. The Group will evaluate the opportune time to unlock the full potential value of the land bank by developing high-rise and landed homes to bring about exciting multiplier effects to the said locations.

Dividend Policy

We aim to strike a balance between enabling shareholders to participate in our success and allocating adequate reserves for the future growth of the Group's business segments.

Thus, we have established a dividend policy of up to 30.0% of the Group's annual net profit attributable to owners of the Company to be distributed as dividends, commencing from the financial year ending 31 December 2019.

Appreciation

On behalf of the Board, I would like to acknowledge the vigorous efforts of Gagasan Nadi Cergas' management team and employees for successfully building a sustainable foundation of growth by moving up the construction industry value chain and venturing into relevant business segments.

I would also like to express my gratitude and sincere appreciation to our shareholders, customers, business associates, bankers, consultants, regulators as well as our employees for their continued trust and unwavering support to the Group.

Going forward, we remain steadfastly committed to pursuing growth as we chart our course towards establishing Gagasan Nadi Cergas as a leading player in Malaysia's construction industry.

The best is yet to come. Insha'Allah.

Sincerely,

Hj Wan Azman Bin Wan Kamal
Group Managing Director

Ir. Dr. Muhamad Fuad Bin Abdullah
Independent Non-Executive Chairman
Male, Malaysian, Aged 65

Ir. Dr. Muhamad Fuad Bin Abdullah was appointed to the Board on 15 September 2017. He graduated in 1977 from the University of Southampton, United Kingdom with a Bachelor of Science Honours Degree in Electrical Engineering and in 1982, obtained his Master of Philosophy in Electrical Engineering from the same university. In 1994, he obtained his Bachelor of Arts in Shariah from the University of Jordan in Amman, Jordan and his PhD in Muslim Civilisation from the University of Aberdeen in United Kingdom in 1996.

He also holds several professional qualifications being a registered Professional Engineer with the Board of Engineers Malaysia (with the first registration being in 1984) an APEC Engineer and an International Professional Engineer with the International Engineering Alliance in 2004, an ASEAN Engineer with ASEAN Federation of Engineering Organisations in 2000 and an ASEAN Chartered Professional Engineer in 2009.

He is a Fellow of the Institution of Engineers, Malaysia since 2004. He has been a member of the Institute of Corporate Directors Malaysia since September 2018. He has been a registered Shariah Adviser with the Securities Commission Malaysia since 2010.

His career started in 1977 as an Electrical Engineer with the Public Works Department at its headquarters in Kuala Lumpur. He left in 1983 to join Uniphone Sdn Bhd, a telecommunications company as an Engineering Logistics Manager up to 1991. From 1991 to 1996, he was a Tutor in Muslim Civilisation at Universiti Kebangsaan Malaysia. He was a Director of Five-H Associates Sdn Bhd, an engineering consultancy company, from 1996 to 2006, and during his tenure held the position of Managing Director from 2003 to 2006. He served as the Chief Executive Officer of Kausar Corporation Sdn Bhd, a construction company from 2002 to 2003, whilst he was still holding directorship in Five-H Associates Sdn Bhd.

He has been a Non-Independent Non-Executive Director of Mesiniaga Berhad since July 2010.

Hj Wan Azman Bin Wan Kamal
Group Managing Director
Male, Malaysian, Aged 58

Hj Wan Azman Bin Wan Kamal was appointed to the Board on 15 September 2017. He graduated from Universiti Teknologi Malaysia in 1982 with a Diploma in Quantity Surveying. He also holds an Advanced Diploma in Quantity Surveying from MARA Institute of Technology, Shah Alam, obtained in 1986. He has been a Registered Quantity Surveyor of the Board of Quantity Surveyors Malaysia since 1990 and a Member of the Institute of Surveyors Malaysia since 1995.

He has extensive experience in the property development and construction industry with a career that spans approximately 33 years. His career started in 1982 as a Technical Assistant at Jabatan Kerja Raya Pahang. He left in 1984 to pursue his Advanced Diploma in Quantity Surveying from 1984 to 1986. Subsequently from 1986 to 1989, he joined QS Associates, a quantity surveying firm, as a Quantity Surveyor. In 1990, he joined Sime UEP Development Sdn Bhd, a property development company, as a Quantity Surveyor and was promoted to the position of Cost Controller in 1992, before he left in 1998. In 1998, he took up the position of Director of Business Development at Juwana Construction Sdn Bhd, a construction company, before leaving in 1999 to become the major shareholder and Managing Director of Nadi Cergas Sdn Bhd.

As Group Managing Director, he has been instrumental in the growth and development of the Group. He is responsible for the strategic direction of our Group including the implementation of future plans and strategies, including the property development segment of our business. He is also involved in managing the day-to-day operations of our Group.

He does not hold any directorship in any other public company and other listed corporation.

Dato' Sri Subahan Bin Kamal
Executive Director
Male, Malaysian, Aged 53

Dato' Sri Subahan Bin Kamal was appointed to the Board on15 September 2017. He graduated in 1989 from the Southern Illinois University at Carbondale, USA with a Bachelor of Science Honors Degree in Finance. He also holds a Certificate of Marine Cargo Technical Claims and a Certificate of Liability Insurance from the Malaysian Insurance Institute, both of which were obtained in 1989.

He started his career in 1989 as a Claims Executive at Malaysia Nippon Insurance Berhad. Subsequently in 1990, he joined Bank Rakyat Kerjasama Malaysia Berhad ("Bank Rakyat") as a Corporate Planning Executive before he was appointed as Personal Assistant to the Chairman at Bank Rakyat in 1991. In 1992, he was seconded to the Ministry of Finance Malaysia as the Private Secretary to the Parliament Secretary of the Ministry of Finance. Subsequently, in 1995 he was promoted to Senior Private Secretary to the Deputy Minister of Finance and he was under the Ministry of Finance until 1998. In the same year, he was appointed as Senior Private Secretary to the Deputy Minister of Human Resources. In 2000, his secondment as Senior Private Secretary to the Deputy Minister of Human Resources ended when he left Bank Rakyat to join Nadi Cergas as an Executive Director.

Dato' Sri Subahan served as an assemblyman in Taman Templer, Selangor from 2008 to 2013. He was also appointed as Selangor Tourism Action Council Chairman from 2009 to 2011. He presently does not hold any political appointments.

Dato' Sri Subahan actively contributes to society in various capacities in the sports and education fields. He was appointed as the Deputy President of the Football Association of Malaysia in 2017 and the President of the Malaysia Hockey Confederation in 2015, positions which he continues to hold till today. He has also been appointed as a member of the Advisory Board of Quest International University since 2014, and a member of the Curriculum Advisory Board of University Institute Technology, MARA since 2013.

Dato' Sri Subahan sits on the board of Can-One Berhad and has been appointed since May 2014. He was also appointed to the board of Aluminium Company of Malaysia Berhad and sat on the board from January to August 2018, before subsequently being appointed to the board of Aluminium Group Berhad from August 2018 till to date, pursuant to an internal reorganisation exercise carried out by Aluminium Company of Malaysia Berhad. Additionally, he also holds directorship in The New Straits Times Press Malaysia Berhad since February 2016.

Siti Naaishah Binti Hambali
Independent Non-Executive Director
Female, Malaysian, Aged 64

Siti Naaishah Binti Hambali was appointed to the Board on 15 September 2017. Siti obtained a Master of Comparative Laws Degree from the International Islamic University, Malaysia in 1997 and a Bachelor of Law Degree from the University of Malaya in 1979.

She began her career in 1979 as a Magistrate at the Magistrate Court Judicial Department, Malaysia until 1982. Subsequently in 1982, she was appointed as Federal Counsel and Legal Advisor at the Ministry of Defence, Malaysia before she was appointed as Senior Assistant Registrar of High Court of Malaya in the Judicial Department of Malaysia in 1984 and was promoted to Deputy Registrar of High Court of Malaya in 1987, a position she held until 1988. In 1988, she took up the position of Deputy Treasury Solicitor at the Ministry of Finance before she was appointed as Senior Sessions Court Judge of the Judicial Department of Malaysia in 1992, and later in 1993 she was appointed as Head of Prosecution for the Federal Territory at the Attorney General's Chambers of Malaysia. In 1994, she was appointed as Senior Sessions Court Judge at the Judicial Department of Malaysia and held the position until 1997. In 1997, she took up the position as Associate Professor, Faculty of Law, Universiti Kebangsaan Malaysia, and was also appointed as Legal Advisor of Universiti Kebangsaan Malaysia till 2007.

From 2005 till 2016, she also held the position as Distinguished Fellow at the Faculty of Law, Universiti Kebangsaan Malaysia. She was the Founding Director of UKM-UNIKEB Legal Aid and Mediation Centre in 2010 up till 2016. In 2010, she was appointed as the President of Tribunal for Consumer Claims Malaysia, Ministry of Domestic Trade, Co-operatives and Consumerism Malaysia which she holds till today. She is also the Founding Project Director of Putrajaya Community Mediation Centre at the Department of National Unity and Integration, a position she has held since 2014.

She does not hold any directorship in any other public company and other listed corporation.

Chng Boon Huat
Independent Non-Executive Director
Male, Malaysian, Aged 58

Chng Boon Huat was appointed to the Board on 15 September 2017. He was admitted as a Chartered Accountant of the Malaysian Institute of Accountants in 1987 and a Fellow Member of Association of Chartered Certified Accountants (previously known as The Chartered Association of Certified Accountants), United Kingdom in 1991.

He started his career in 1983 as an Audit Assistant with Messrs Hew & Co (now known as Mazars PLT), an auditing and accounting firm. In 1987, he left to join Perlis Plantation Berhad (now known as PPB Group Berhad) as an Assistant Accountant. In 1988, he joined The Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Berhad) and had held several positions during his 25-year tenure at Bursa Malaysia, culminating to become the Head of Corporate Surveillance in 2009. He has gained vast experience during his 25 years at Bursa Malaysia including equity market supervision, research and development studies, compliance, investigation and enforcement of Listing Requirements, as well as to advocate good corporate governance practices such as risks management and internal control systems to companies listed on Bursa Malaysia. While in Bursa Malaysia, he also represented Bursa Malaysia to serve as member of various working groups of Malaysia Accounting Standards Board, Malaysian Institute of Accountants and Registrar of Companies. He also represented Bursa Malaysia to serve as a member of the Adjudication Committee of the National Annual Corporate Report Awards from 2006 to 2013. He left Bursa Malaysia in 2013 to join Tricor Corporate Services Sdn Bhd as Director, Corporate Advisory, a position he holds to date.

He was appointed by Bursa Malaysia in 2015 as its consultant on a project basis to review certain areas of the corporate disclosure requirements; and is currently an adviser to the Adjudication Committee of the National Annual Corporate Report Awards, a position he held since 2014.

He has been an Independent Non-Executive Director of Atrium REIT Managers Sdn Bhd (the manager of Atrium Real Estate Investment Trust, which is an entity listed on Bursa Securities) since September 2018.

Notes:
None of the Directors has any family relationship with other Directors and/or major shareholders of Gagasan Nadi Cergas Berhad, and has no conflict of interest.
None of the Directors have public sanction or penalty imposed by any relevant regulatory bodies during the financial period for the past five (5) years.

Wan Badrul Hisham Bin Wan Kamal
Head of Construction
Male, Malaysian, Aged 54

Wan Badrul Hisham Bin Wan Kamal obtained a Certificate in Civil Engineering from Politeknik Kota Bahru, Kelantan in 1987, a Diploma in Civil Engineering in 1990 and a Bachelor's Degree in Civil Engineering in 1994, both of which were obtained from Universiti Teknologi Malaysia.

His career started in 1994 as a Design Engineer at Engineering & Environmental Consultants Sdn Bhd, an engineering consulting company, and he became the Resident Engineer of the company in 2002. In 2003, he left and joined BW Perunding Sdn Bhd, an engineering consulting company as Assistant Resident Engineer and left in 2004. He was Resident Engineer in Perunding Reka Cekap Sdn Bhd, an engineering consulting company, from 2005 to 20008. Subsequently in 2008, he was appointed to his current position as Head of Construction at Nadi Cergas.

He has more than 25 years of experience in various aspects within the building and construction industry and he is currently responsible for monitoring and managing the construction activities of the Group. He is the brother of Hj Wan Azman Bin Wan Kamal, the Group Managing Director.

Oh Ewe Peng
Chief Financial Officer
Male, Malaysian, Aged 47

Oh Ewe Peng graduated in 1994 with a Bachelor of Commerce Degree from the University of Melbourne, Australia. He is a Chartered Accountant of the Malaysian Institute of Accountants and was admitted as a Certified Practicing Accountant of CPA Australia in 1998.

His career started in 1995 as Staff Assistant at Arthur Andersen & Co in Kuala Lumpur, an audit firm, before he was promoted to the position of Semi Senior in the firm. In 1996, he left Arthur Andersen & Co to join Hai-O Enterprise Berhad as Business and Corporate Development Services Executive. In 1997, he joined Corporateview Sdn Bhd, an investment holding and financial services company, as a Senior Executive.

After his departure from Corporateview Sdn Bhd in 1999, he joined Dialog Services Sdn Bhd as Corporate Finance Executive. He was promoted to Assistant Manager, Corporate Services in 2000. Subsequently, he was transferred to Dialog Corporate Sdn Bhd as Corporate Finance Manager in 2001 until 2003. In 2003, he left Dialog Corporate Sdn Bhd and joined Emas Kiara Sdn Bhd, a company involved in manufacturing of geosynthetic and geotechnical engineering, as Finance Manager. He was promoted to General Manager, Finance in 2006. During the same year, he was transferred to Southcorp Holdings Sdn Bhd, a wholly-owned subsidiary of Emas Kiara Industries Berhad (now known as MB World Group Berhad) where he held the same position until 2010. Upon his return to Emas Kiara Sdn Bhd in 2010, he assumed the role of Senior General Manager, Finance until 2013. In 2013, he left Emas Kiara Sdn Bhd to join Nadi Cergas Management Services Sdn Bhd as Chief Financial Officer.

He has no family relationship with any directors and/or major shareholder of the Company.

Aminudin Bin Taib
Head of Concession and Facilities Management
Male, Malaysian, Aged 58

In 1983, he obtained a Diploma in Quantity Surveying from Institute Teknologi MARA. Subsequently in 1986, he obtained an Advanced Diploma in Quantity Surveying from the same institute. He is also a member of the Institution of Surveyors Malaysia, a Consultant Quantity Surveyor of the Board of Quantity Surveyors Malaysia and a Member of the Royal Institution of Surveyors Malaysia.

His career started in 1983 as an Assistant Quantity Surveyor at Nik Farid and Loh Sdn Bhd, a quantity surveying company and left in 1986. He took up the position of Quantity Surveyor when he joined Jabatan Bekalan Air Terengganu in 1986. Subsequently, he left Jabatan Bekalan Air Terengganu in 1988 and joined Jurutera Konsultant (Sea) Sdn Bhd, a quantity surveying company, as Quantity Surveyor. Later in 1990, he left Jurutera Konsultant (Sea) Sdn Bhd to join PLUS Malaysia Berhad, a toll operator, until 1991. Subsequently, he left PLUS Malaysia Berhad and joined Percon Corporation Sdn Bhd, an engineering company, as Quantity Surveyor in 1991. He became Contract Manager in 2005. During the same year, he left Percon Corporation Sdn Bhd to join Nadi Cergas. After his departure from Nadi Cergas in 2008, he joined Zambina Wawasan Sdn Bhd, a construction company, as Contract Manager. In the same year, he left Zambina Wawasan Sdn Bhd and re-joined Nadi Cergas.

As the Head of Concession and Facilities Management, he is mainly responsible for overseeing matters in relation to concession administration and facilities management.

He has no family relationship with any directors and/or major shareholder of the Company.

Notes:
None of the Key Senior Management holds any directorships in any other public company and other listed corporation, and has no conflict of interest with Gagasan Nadi Cergas Berhad. None of the Key Senior Management have public sanction or penalty imposed by any relevant regulatory bodies during the financial period for the past five (5) years.

WE ARE COMMITTED TO CREATE SUSTAINABLE VALUE

Towards our journey to become a successful listed company, Gagasan Nadi Cergas affirmed its commitment by recognising the need to be a responsible corporate citizen and taking an inclusive view of its businesses and its roles in the society and the environment, by constantly engaging with our stakeholders.

For the financial year ended 2018, we had embedded the sustainability commitment in all business segments of the Group, namely Construction, Concession and Facility Management, Utilities Services and Property Development.

SUSTAINABILITY 4 D CORE VALUES

We believe our actions are governed by our commitments to demonstrate sustainability culture in respect to our environment, businesses, clients and employees.

Our Core Sustainability Values are:

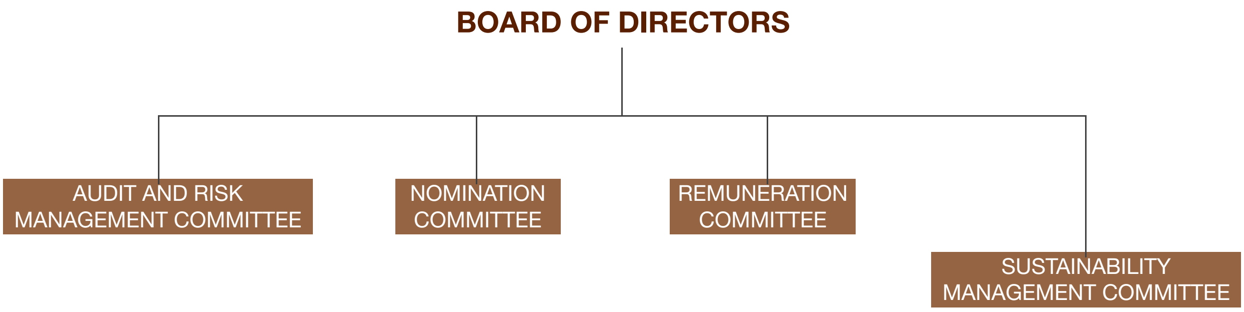
- ✓ **DURABLE** commitment to promote quality excellence to economic, environment and social matters.
- ✓ **DO IT RIGHT** the first time and every time.
- ✓ **DILIGENCE** by complying to the needs and expectations of interested parties.
- ✓ **DYNAMIC** business interactions in managing and uphold the enterprise risks through professionalism, harmonisation, ethics and integrity.

OUR SUSTAINABILITY GOVERNANCE

We have formed a Sustainability Management Committee comprising representatives from all business segments of the Group. The committee is led by Nadya Naina Bt Rahmat, the Head of Internal Audit and Compliance, and she is responsible to oversee the Group’s commitment in managing sustainability matters relating to economic, environment and social. The Sustainability Management Committee reports to the Board on its activities and initiatives.

The Committee demonstrates the core sustainability values to our stakeholders by ensuring sustainability management on material sustainability matters identified.

The Governance Structure of Sustainability Management Committee is as follows:



ROLES AND RESPONSIBILITIES OF SUSTAINABILITY MANAGEMENT COMMITTEE

For effective implementation, we set clear roles and responsibilities for the Sustainability Management Committee as follows:

- Advising the Board on strategies in managing sustainability;
- Monitoring the implementation of sustainability strategies as approved by the Board;
- Recommending to the Board sustainability-related policies for adoption, and monitoring the implementation of policies;
- Reporting to the Board the progress of the implementation of sustainability strategies;
- Recommending to the Board for its approval on sustainability matters identified as material;
- Overseeing the overall management of stakeholder engagement, including ensuring grievance mechanisms are in place;
- Overseeing the management of sustainability matters, focusing matters material to the Group; and
- Overseeing the preparation of sustainability disclosures as required by laws and/or rules, and recommending it for the Board's approval.

SUSTAINABILITY STEWARDSHIP

The Group defines and communicates its sustainability policies to the relevant stakeholders. The Group has established policies relating to quality of products and services, safety & health of employees and environmental concerns. We uphold "DO IT RIGHT AT THE FIRST TIME AND EVERY TIME as our working principle.

We focus our sustainability stewardship in the following areas:

- Good Governance & Well Being
- Affordable & Clean Energy
- Health & Safety
- Waste Management
- Industry, Innovation & Infrastructure

STAKEHOLDER ENGAGEMENTS

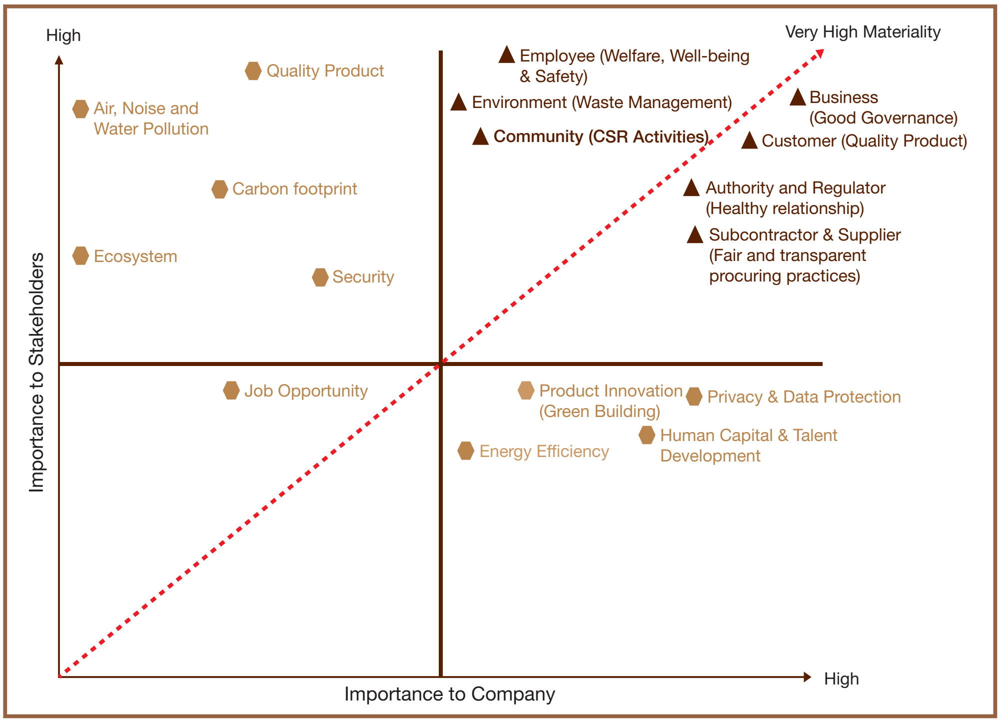
Engagements are conducted through different channels of communication for all stakeholders, including employees at various levels in the Group.

Details of stakeholder engagements conducted in 2018 were as follows:

Stakeholder Group	Engagement Activities	Stakeholder Expectation
Shareholders & Investors	• Annual Report • Annual General Meeting • Regular updates about Corporate information on website, newspaper	• Practising good governance and adopt the Code of Ethics and Conduct • Accurate Financial Statement
Regulators and Authorities	• Regular Meeting • Joint-Inspection • Active communication on project requirements via email, letters, memo, etc.	• Meet the compliance requirements
Customers	• Joint-inspection	• High Quality Product
Employees	• Roundtable Discussion • Meeting with Focus Group • Workshop • Social Events	• Welfare, Well-Being & Safety
Community	• Public campaign	• Healthy business behaviour
Supplier & Sub-contractor	• Corporate Social Responsibility event • Evaluation of supplier & subcontractor performance • Open tenders	• Transparent and Ethical Procuring Practice • Fair judgement and approval on quotation

MATERIALITY MATRIX

A materiality matrix is an exercise designed to gather insights on the relative importance of specific sustainability matters relating to economic, environment and social issues based on the feedback of stakeholders. We aim to increase our values by reaching our stakeholders, with material matters presenting a unique challenge as well as opportunity for the Group. Based on the stakeholder engagements and brainstorming sessions with key personnel of the Group, we were able to plot the matrix on the sustainability matters as illustrated below:



SUSTAINABILITY ACTIVITIES

We have identified 7 material sustainability matters for the Group and are managed by having appropriate action plans and activities in place.

The sustainability activities for each of the material sustainability matters identified are described as follows:

1. Practising Good Governance in Doing Business

The Group has established the following policies to be adopted by all employees of the Group:

✓ Whistle-Blower Policy;
✓ Insider Trading Policy;
✓ Internal Control and Risk Management; and
✓ Code of Ethics and Conduct

To ensure good governance in doing business, the Board is committed to provide oversights on the implementation, assisted by the to internal and external auditors on their assessment of the effectiveness of the Group's internal control system and risk management framework.

SUSTAINABILITY ACTIVITIES (Continued)

2. Ensure High Quality of Product and Services

To become a successful business leader in construction, the Group has managed its initiatives to ensure the delivery of high quality product to meet our client's satisfaction.

Our initiatives are as follows:

2.1 Adhere to the quality management system principles and requirements from authorities and regulators. We are recognised as an ISO 9001 certified company from 26 May 2018 to 26 May 2021.

2.2 Adopt standard on the quality workmanship for various construction elements of building construction work such as architectural, mechanical andelectrical and external words. The quality of workmanshop of construction work. underwent the Qlassic assessment as per the Malaysian Construction Industry Standards ("CIS").

2.3 The Group also received 4/5 stars on Safety and Health Assessment System in Construction ("SHASSIC"). This assessment was carried out by an assessor from CIDB on 7 and 8 November 2018.

2.4 Established Project Quality Plan ("PQP") for each project requirements.

2.5 The following in-house training were also conducted to upgrade employees' skills and knowledge:

Topic	No. of Participant	Participant Background
Qlassic Awareness	60	Project Team
Effective Root Cause Analysis	21	Management & Project Team
ISO9001:2015 Awareness and Understanding	19	Project Team
ISO9001: 2015 Internal Quality Auditor (Understanding)	10	Project Team

3. Fair and Transparent Procurement Practices for Sub-contractors, Consultants and Suppliers

The Group conducted internal assessment and evaluation with all our sub-contractors, consultants and suppliers during the financial year. The Group had in total 100 approved sub-contractors, consultants and suppliers. Our initiatives to ensure fair and transparent procurement practices were as follows:

- Tendering process and evaluate quotations;
- Selection and appointment of subcontractors, consultants and suppliers by External Providers Selection Committee;
- Registration assessment (Pre-Qualification); and
- Performance appraisals.

4. Effective Environment Control

The Group had established several initiatives to protect the environment.

The initiatives are described as follows:

- *Pollution Preventive Measures*

  For erosion and sediment controls, we designed, installed and maintained erosion to minimise the discharge of pollutants. We regularly monitored soil exposure during construction activities.

  For soil stabilisation, we had initiated soil stabilisation whenever we start excavating work on site.

  For air, noise and water monitoring, we appointed a licensed environmental consultant to monitor and assess air, noise and water level at all construction sites monthly in FY2018 and the results were positive on these 3 elements of monitoring.

  To prevent mosquito breeding, we also organised a dengue awareness programme together with Majlis Perbandaran Klang at our work sites and workers quarters.

- *Prohibited Discharges*

  We established proper procedures to manage scheduled waste disposal and ensure scheduled wastes are disposed by licensed contractors. In addition, we also monitored the following activities:

  - Wastewater from washout concrete;
  - Wastewater discharges from paints, oils and other construction materials; and
  - Discharge of fuels, oils and other pollutants used in vehicle and equipment operation and maintenance.

  In order to increase compliance at the construction sites, we conducted a Chemical Spillage Handling Programme on 19 April 2018. The objective of this programme is to create awareness on how to dispose hazardous chemicals properly.

- *Green Building Project*

  Our first development project is designed around the Green building concept. The building will be built by Green Building materials.

  The project also features a sky garden on every floor to create a green and sustainable environment that brings residents closer to nature.

- *Energy Saving Lighting*

  We promoted the use of T5 low wattage lights (14 & 28W) for indoor lightings to save energy consumption for the student's residential college at IIUM.

- *Reduce, Recycle and Reuse ("3R")*

  We also allocated 3 unit recycle bins for the "Mahallah Green Project" campaign which commenced on 29 January 2018, for student's residential college at IIUM.

5. Maintain Healthy Relationship with Authorities and Regulators

Building an effective rapport with relevant authorities and regulators is an important initiative to ensure smooth implementation of environmental projects and we continuously communicate with our stakeholders by adopting the following principles:

- Demonstrate strong and effective leadership for the positive site progress;
- Understand and adopt relevant regulatory requirements; and
- Ensure continuous compliance with standards and requirements.

6. Engagement with Community – Our Corporate Social Responsibility Programme

As part of our engagement with the community, the Group in collaboration with the National Blood Bank conducted 2 days of blood donation activities.

More than 100 employees of the Group participated in the blood donation events held at the Group's Head Office and at the Project Gallery of Antara Residences, Putrajaya. During the events, a total of 33 blood units were donated during each event.

Blood Donation Day

27 January 2018 at Gagasan Nadi Cergas Berhad Head Office

6 October 2018 at Antara Residences' Project Gallery

7. Employee Welfare, Wellbeing and Safety

Our employees are our pillar for the Group's successful journey. Their knowledge and skill-set are our greatest assets and we always ensure their welfare, wellbeing and safety are taken care.

Bowling Day Out - *12 January 2018*

A total of 25 staff attended the bowling session held at One Utama Bowling Centre with meals provided to all participants. All staff enjoyed and had fun!

Fun Hiking - *31 March 2018*

28 staff successfully hiked *Hutan Simpan Kota Damansara*. The purpose of this "nature walk" is to keep employees fit and healthy.

7. **Employee Welfare, Wellbeing and Safety (Continued)**

Badminton Night

Badminton sessions were conducted fortnightly since 27 April 2018, on Friday from 8pm to 10pm at the Champion Badminton Court, Kayu Ara, Petaling Jaya. An average of 20 staff joined the fortnightly badminton sessions.

Durian Party – *20 July 2018*

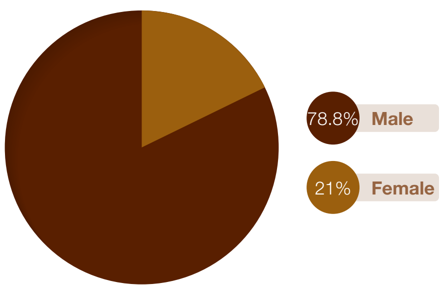
The Group purchased three (3) baskets of Musang King durians for the "Durian Party" at the Group's Head Office, for all employees to enjoy the king of fruits.

Recognition and Awards

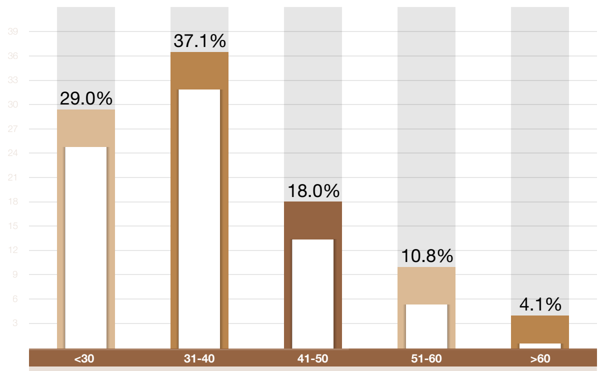
As a recognition to employee's commitment, we also have taken care of the employees' family and initiated *Employee's Children Education Excellence Award*. In 2018, the company awarded financial incentives to 3 children of staffs who achieved excellent results in PT3 and received offers for entry into local universities.

Additionally, the company also recognised the loyal service and outstanding contribution of the employees by awarding long service awards to 14 staffs who have served the Group for more than 15 years. The long service award recipients received 50 grams gold bars as a token of appreciation.

At all times, the Group is highly dedicated to optimise the human needs in relation to its business capacity. We practice diversity as part of the sustainability programme for succession and improvement.



Workforce by Gender in 2018



Workforce by Age in 2018

The Board of Gagasan Nadi Cergas acknowledges the importance of the principles and practices as set out in the Malaysian Code on Corporate Governance ("MCCG") in managing the Group's business towards its mission of sustainable growth.

Although the Company was listed on the ACE Market of Bursa Malaysia Securities Berhad on 8 January 2019, the Board nevertheless wishes to present this statement to its shareholders and stakeholders with an overview of the Company's application of MCCG practices for the financial year ended 31 December 2018.

However, the Company was not able to apply all the principles and practices set out in MCCG pursuant to Rule 15.25 of the ACE Market Listing Requirements of the Bursa Malaysia Securities Berhad as certain practices and processes were not relevant or still being established during the financial year.

This statement should also be read together with the Corporate Governance Report 2018 which is available on the Company's corporate website at www.nadicergas.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(a) Board's Roles and Responsibilities

The Board oversees the Group's business and its performance and are collectively responsible for the Group's long-term success. The Board meets regularly to review corporate strategies, operations and performance of business units within the Group. All Board members bring their independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board will scrutinise the sustainability, effectiveness and implementation of the strategic plans for the financial year under review and provide guidance and input to the management. To ensure the effective discharge of its functions and duties, the Board assumes the following duties and responsibilities: -

- promote good corporate governance culture between the Group;
- objectively reviewing, adopting and monitoring the implementation of the Group's strategic plans as proposed by the Management;
- overseeing the conduct of the Group's business to ensure it is being properly managed;
- overseeing and evaluating corporate behaviour and conduct of business of the Group;
- identifying principal risks and ensuring implementation of appropriate internal controls and mitigation measures to achieve a proper balance between risks incurred and potential returns to the shareholders;
- ensuring there is orderly succession of senior management positions of sufficient calibre;
- overseeing the development and implementation of shareholder communications policy; and
- reviewing the adequacy and the effectiveness of the Group's risk management and internal control system.

The Board has an oversight on matters delegated to the Management whereby updates are periodically reported. All the Board's responsibilities conferred on Management is delegated through the Managing Director ("MD") so that the authority and accountability of management is considered to be the authority and accountability of the MD so far as the Board is concerned.

Other than the MD, the Board also delegated certain responsibilities to Board Committees which operates within the clearly defined terms of reference. The Board Committees are Audit and Risk Management Committee, Nomination Committee ("NC") and Remuneration Committee ("RC"). The Board receives reports at its meetings from the Chairman of each Committee on current activities and it is the general policy of the Company that all major decisions will be considered by the Board as a whole.

The roles and responsibilities of the Board, Board Committees, Non-Independent Non-Executive Chairman and the MD are listed in the Board Charter which is available on the corporate website: www.nadicergas.com.

The positions of the Chairman and the MD of the Company are held by different individuals with clear and distinct roles which are formally documented in the Board Charter of the Company to ensure a balance of power and authority between the Chairman and the MD.

The Chairman of the Board, Ir. Dr. Muhamad Fuad Bin Abdullah leads and manages the board by focusing on strategy, governance and compliance, whereas the MD, Hj Wan Azman Bin Wan Kamal oversees the day-to-day operations of the Company and the implementation of the Board's decisions and policies.

The Board members have full access to the three (3) qualified and competent Company Secretaries who are members of the Institute of Chartered Secretaries and Administrators and are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016 ("the Act"). The secretarial function of the Group is outsourced to Tricor Corporate Services Sdn Bhd.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

(a) Board's Roles and Responsibilities (Continued)

The Board meets at least 4 times annually with additional Board meetings to be convened as and when necessary. To facilitate robust Board discussion, meeting papers shall be furnished to the Board and Board Committee via email or hard copy at least 5 business days prior to the meetings.

The Board Charter which was adopted by the Board in 2018 sets out the roles and responsibilities of the Board, Board Committees and individual Directors including among others, Board composition, meeting procedures, corporate disclosure policy and shareholders' communication policy.

The Company has formalised a Code of Ethics and Conduct as well as a Whistleblowing Policy for its Directors and employees of the Group to enable the exposure of any violations or any improper conduct within the Group, so that appropriate action can be taken promptly to resolve them effectively.

The Code of Ethics and Conduct will be periodically reviewed and are available on the Company's corporate website: www.nadicergas.com.

(b) Board Composition

The Board currently consists of five (5) members comprising three (3) Independent Non-Executive Directors and two (2) Executive Directors. The Independent Directors make up more than half of the Board allows for more effective oversight of management and the ability to provide independent judgement in the best interest of the Company.

The Board members are from different backgrounds with diverse perspectives. Such diversity is fundamental to the strategic success of the Group, as each Director has an in-depth knowledge and experience in various areas to provide valuable direction to the Group. With more than half of the Board comprised of Independent Directors, the Board is able to facilitate greater check and balances during boardroom deliberations and decision making. The Independent Directors also provide the Board with professional judgement, experience and objectivity without being subordinated to operational considerations.

A brief profile of each Director is presented from page **17** to **19** in the Directors Profile section of the Annual Report.

As the Company was recently listed, none of our Independent Non-Executive Directors had served the Company for a cumulative term of 9 years. The Company also did not adopt a policy which limits the tenure of our Independent Non-Executive Directors to 9 years.

Notwithstanding the recommendation of MCCG, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for directors as there are significant advantages to be gained from long service directors who possess in-depth insights to the Group's business and affairs. The ability of a director to serve effectively as an Independent Non-Executive Director is very much dependent on his integrity and objectivity, and may not necessarily has a direct connection to his tenure as an Independent Non-Executive Director.

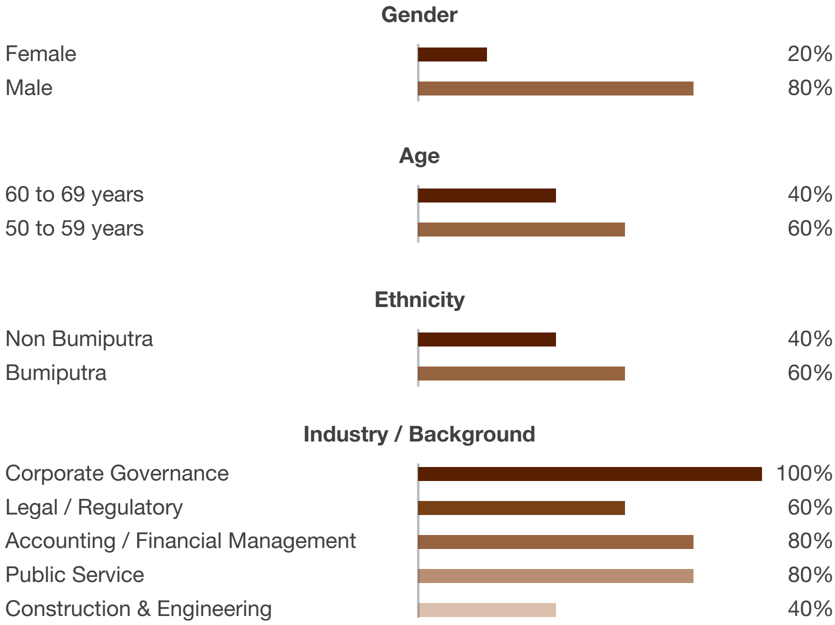
The Board also recognises the importance of providing fair and equal opportunities and nurturing diversity within the Group. The Board is committed to ensure diversity (including diversity in skills, experience, age, cultural background and gender) in its composition.

The NC is entrusted to develop the policies and procedures in formalising the approach in the recruitment process and annual assessment of Directors, which serve as guides for the NC in discharging its duties in the aspects of nomination, evaluation, selection and appointment process of new Directors. The NC shall, prior to the appointment by the Board, evaluate the balance and composition including mix of skills, independence, experience and diversity (including diversity in gender, ethnicity and age) of the Board.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

(b) Board Composition (Continued)

The current board composition in terms of each of the Director's industry and/or background experience, age and ethnic composition is as follows: -



There are no specific criteria set for the appointment of new candidates as it is the Company's policy to assess all potential Board candidates without regard to race, gender, age, nationality, religious beliefs, or any other factor not relevant to their competence and performance. Importance is placed on consideration that would add value and effectiveness to the Board and the Company.

The Terms of Reference of the NC is available on the Company's corporate website: www.nadicergas.com.

The Board's effectiveness will be assessed in the following key areas: - composition, administration and process, accountability and responsibility, Board conduct, communication and relationship with Management, performance of the Chairman and MD, time commitment in discharging their roles and responsibilities through attendance at their respective meetings as well as application of good governance practices to create sustainable shareholders' value.

The Board through the NC will undertake an annual assessment of Independent Directors to assess whether they continue to bring independent and objective judgement to Board deliberations. The Board would undertake peer and self-assessment to determine the effectiveness of the Board, Board Committees and each individual Director. The results, in particular the key strengths and weaknesses identified from the assessment, will be shared with the Board to allow improvements to be undertaken.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

(b) Board Composition (Continued)

The Directors' commitment in carrying out their duties and responsibilities is affirmed by their attendance at the Board and Board Committee Meetings held during the FY2018, as reflected below:-

	No. Of Meetings Attended / Held			
	Board	Audit and Risk Management Committee	Nomination Committee	Remuneration Committee
Ir. Dr. Muhamad Fuad Bin Abdullah	4/4	3/3	1/1	1/1
Hj Wan Azman Bin Wan Kamal	4/4	-	-	-
Dato' Sri Subahan Bin Kamal	4/4	-	-	-
Siti Naaishah Binti Hambali	4/4	3/3	1/1	1/1
Chng Boon Huat	4/4	3/3	1/1	1/1

All directors of the Company have attended the Mandatory Accreditation Programme as prescribed in the Listing Requirements.

(c) Remuneration

Presently, there is no a formal and transparent process for approving the remuneration of the Board and Board Committees, the MD, Executive Director, Non-Executive Director and Senior Management as the Company was only listed on 8 January 2019.

The RC was established in 2018. The primary objective of the RC is to establish, review and approve the remuneration packages of Executive Director, Non-Executive Director and Senior Management in a formal and transparent manner. This ensures the remuneration of the Directors reflect their responsibility and commitment undertaken by them and also to attract and retain right talent in the Board to drive the Company's long-term objectives.

The RC will formulate policies, guidelines and set criteria for remuneration package for Directors and Senior Management to ensure that they are fairly and appropriately remunerated according to the market conditions in 2019.

The present composition of the RC consists of 3 members of the Board, all of whom are Independent Non-Executive Directors.

The Terms of Reference of the NC is available on the Company's corporate website: www.nadicergas.com.

The details of the Directors' remuneration of the Company and the Group on a named basis for FY2018 are tabulated as follows: -

The Company

Directors	**Fees RM'000**	**Salaries RM'000**	**Bonus RM'000**	**Benefit-in-Kind RM'000**	**Allowances RM'000**	**Grand Total RM'000**
Executive Directors						
Hj Wan Azman Bin Wan Kamal	-	-	-	-	-	-
Dato' Sri Subahan Bin Kamal	-	-	-	-	-	-
Non-Executive Directors						
Ir. Dr. Muhamad Fuad Bin Abdullah	47	-	-	-	4	51
Siti Naaishah Binti Hambali	44	-	-	-	4	48
Chng Boon Huat	45	-	-	-	4	49
Total	136	-	-	-	12	148

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

(c) Remuneration (Continued)

The Group

Directors	Fees RM'000	Salaries and allowances RM'000	Bonus RM'000	Benefit-in-Kind RM'000	Allowances RM'000	Grand Total RM'000
Executive Directors						
Hj Wan Azman Bin Wan Kamal	-	1,644	-	16	-	1,660
Dato' Sri Subahan Bin Kamal	-	840	-	-	-	840
Non-Executive Directors						
Ir. Dr. Muhamad Fuad Bin Abdullah	47	-	-	-	4	51
Siti Naaishah Binti Hambali	44	-	-	-	4	48
Chng Boon Huat	45	-	-	-	4	49
Total	136	2,484	-	16	12	2,648

With regard to the disclosure of remuneration of Group's Key Senior Management, the Company is of the view that it would not be in its best interest to make such disclosure on a named basis in view of the competitive nature of human resource market in the industries the Group operates and the Company should also protect the confidentiality of personal information such as employees' remuneration packages.

The disclosure of the Group's Key Senior Management's remuneration on an aggregate basis is disclosed in the audited financial statements, included in this Annual Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

(a) Audit Committee

The Audit Committee was established in 2017. However, on 27 February 2019, the Audit Committee was re-named as Audit and Risk Management Committee ("ARMC") in order to accurately reflect the powers of oversight over the risk management matters delegated to the ARMC.

The primary objective of the ARMC is to assist the Board in fulfilling its responsibility relating to financial reports, internal audit function and risk management of the Group.

The present composition of the ARMC consists of three (3) members of the Board, all of whom are Independent Non-Executive Directors, is as follows: -

Chairman of AC	:	Chng Boon Huat Independent Non-Executive Director
Members of AC	:	Ir. Dr. Muhamad Fuad Bin Abdullah Independent Non-Executive Chairman
	:	Siti Naaishah Binti Hambali Independent Non-Executive Director

The positions of Chairman of the ARMC and the Board are held by two (2) different individuals. Hence, the objectivity of the Board's review of the ARMC's findings and recommendations will be preserved. It is also stated in the Terms of Reference of ARMC that former key audit partner is to observe a cooling off period of at least two (2) years before being appointed as a member of ARMC.

The NC has ensured that only ARMC members who possess the right mix of skills, experience, financially literate and equipped with the required business skills would be considered to be appointed as member of the ARMC.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Continued)

(a) Audit Committee (Continued)

The Terms of Reference of the ARMC is available on the Company's corporate website: www.nadicergas.com.

During the financial year, the ARMC has assessed and reviewed the performance and independence of the external auditors, namely, Messrs Crowe Malaysia PLT and was satisfied that the external auditors have been independent throughout the conduct of the audit process and the audit services rendered have met the quality expected by the ARMC and the Group.

(b) Risk Management and Internal Control Framework

The Group's internal control function was conducted by an independent outsourced firm during the financial year. However, subsequent to the Company's listing on 8 January 2019, the Company has set-up its own Internal Audit and Compliance Department to undertake the Group's internal audit function.

During the financial year, the Board was updated on the Group's internal control system which encompasses risk management practices as well as financial, operational and compliance controls on a regular basis. On-going reviews were performed throughout the year to identify, evaluate, monitor and manage significant risks affecting the Group's businesses, and the Management has given assurance to the Board that adequate and effective controls are in place to manage these significant risks.

The Board conducts robust assessments of the principal risks facing the Group by implementing a Risk Management framework to identify, evaluate, monitor, report and manage the significant risks faced or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board.

Details of the main features of the Company's risk management and internal controls framework are further elaborated in the Statement on Risk Management and Internal Control of the Annual Report 2018 on page **41** to **45**.

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

(a) Communication with Stakeholders

The Board recognises the importance of maintaining transparency and accountability to its shareholders and investors, and is committed to disseminate all material information via Bursa LINK in a timely manner.

In 2018, when the Company launched its prospectus in conjunction with its listing on the ACE Market of Bursa Malaysia Securities Berhad, the management has conducted a number of media and analyst briefings as well as issued press statements on the corporate and business affairs of the Company.

Presently, the Board and management of the Company communicate regularly with its shareholders and other stakeholders through the following channels of communication:

(i) Bursa Malaysia Securities Berhad

The Company releases all material announcements via Bursa LINK and the shareholders and the public in general may obtain such announcements and financial information from the website of Bursa Malaysia Securities Berhad.

(ii) Corporate Website

The Company's corporate website, www.nadicergas.com, incorporates an Investor Relations section which provides all relevant information on the Company and is accessible by both the shareholders and the public.

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

(b) Conduct of Annual General Meeting ("AGM")

The Company's AGM serves as a principal forum for dialogue with shareholders. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions.

The forthcoming AGM will be the first AGM of the Company as a public listed company. The venue of the AGM at Tropicana Golf & Country Resort is not in a remote location and its Notice of AGM and related circular to Shareholders will be issued at least 28 days before the meeting in order to allow shareholders to make necessary arrangements to attend and participate either in person or by proxies.

All Directors as well as members of Senior Management are expected to be present at the forthcoming AGM to respond to any enquiries from the shareholders.

STATEMENT ON COMPLIANCE WITH BEST PRACTICES OF CODE

This statement was prepared in compliance with Paragraph 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and it is to be read together with the Corporate Governance Report 2018 of the Company which is available on the Company's corporate website: www.nadicergas.com.

The Board was satisfied that the Company, though listed on 8 January 2019 has endeavour to comply with the spirit and objectives of the Code during the financial year with regard to the Practices supporting the Principles, except as otherwise stated.

This statement was presented and approved at the Board of Directors' Meeting held on 23 April 2019.

The Board of Directors of Gagasan Nadi Cergas Berhad is pleased to present the Audit and Risk Management Report for the financial year ended 31 December 2018.

1.0 Formation

The Board established an Audit Committee ("AC") on 15 September 2017, as part of its preparation for listing of Gagasan Nadi Cergas on the ACE Market of Bursa Malaysia Securities Berhad.

On 27 February 2019, the Board renamed the AC to Audit and Risk Management Committee ("ARMC" or "the Committee") in order to accurately reflect the authority of oversight over the risk management matters delegated to the ARMC.

2.0 Composition

The ARMC comprises three members, all of them are Independent Non-Executive Directors. The composition meets the requirements of Rule 15.09 of Bursa Malaysia Securities Berhad ACE Market Listing Requirements ("ACE LR") and Practice 8.4 of the MCCG.

The ARMC Chairman, Mr. Chng Boon Huat, is a Chartered Accountant of the Malaysian Institute of Accountants and a Fellow Member of The Chartered Association of Certified Accountants, United Kingdom.

The members of ARMC and their respective designation are as follows:

Name	Members	Directorship
Chng Boon Huat	Chairman	Independent and Non-Executive Director
Ir. Dr. Muhamad Fuad Bin Abdullah	Member	Independent and Non-Executive Director
Siti Naaishah Binti Hambali	Member	Independent and Non-Executive Director

3.0 Meetings

The ARMC held three (3) meetings in 2018 because the Company was not required to prepare and issue quarterly financial statements during the year as it was only listed on 8 January 2019. The meetings were held without the presence of Executive Directors and Management members, except when the ARMC requested for their attendance.

During the financial year ended 31 December 2018, the attendance of the ARMC members was as follows:

Members	Number of Meetings Attended
Chng Boon Huat	3/3
Ir. Dr. Muhamad Fuad Bin Abdullah	3/3
Siti Naaishah Binti Hambali	3/3

The minutes of the ARMC meeting were recorded and tabled for confirmation at the next ARMC meeting and subsequently tabled to the Board for notation.

4.0 Summary of Work

The ARMC's work for FY2018 comprises the following:

4.1 Re-appointment of External Auditors

The ARMC recommended to the Board for the re-appointment of Crowe Malaysia PLT as the Company's Auditors, after the ARMC has assessed and satisfied with the Auditors' suitability, objectivity, dependence as well as the quality of audit services provided, sufficiency of audit resources and interactions with the Management, based on Crowe Malaysia PLT's performance in auditing the Company's financial statements for the year ended 31 December 2017.

On 29 June 2018, the shareholders of the Company approved the re-appointment of Crowe Malaysia PLT as Auditors of the Company for FY2018.

On 2 January 2019, the ARMC reviewed and approved the Audit Planning Memorandum including auditors' responsibilities, audit approach, areas of audit emphasis, engagement team and reporting requirements, with references to the relevant International Standards on Auditing and provisions of the Companies Act 2016.

4.0 Summary of Work (Continued)

4.2 Financial Reporting

The ARMC has reviewed the Audited Financial Statements for the financial year ended 31 December 2017 and for the financial period ended 30 June 2018 (for inclusion in the Company's Prospectus in conjunction with the Company's IPO with the Management on 8 March 2018 and 18 October 2018 respectively.

In 2018, the ARMC did not review any quarterly financial statements as the Group did not prepare any quarterly financial statements as the Group was still not a listed issuer.

The Chief Financial Officer ("CFO") was present during the meetings to present and explain the financial performance of the Group to the members of ARMC. He also informed the ARMC that the Financial Statements were prepared in compliance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

In reviewing the Financial Statements, the ARMC discussed in length with the Management and the External Auditors on its compliance with MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers, particularly in relation to the Management's assessment of fair value of the Group's non-current Concessions receivables and the measurement of the Group's income from Concession projects.

The ARMC's recommendations for the Audited Financial Statements were presented to the Board for approval.

To safeguard the integrity of information, the CFO had given assurance to the ARMC that:

i. Appropriate accounting policies had been adopted and applied consistently;
ii. The going concern basis applied in the Annual Audited Financial Statements and Condensed Consolidated Financial Statements were appropriate;
iii. Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs; and
iv. Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs.

4.3 Internal Audit

The Internal Audit and Compliance ("IAC") was formed as a department on 28 October 2016 to oversee the Group's risk management and internal audit function. The main objective of the IAC is to independently evaluate and/or improve the internal control system, governance process and risk management framework by adopting a systematic and discipline approach to achieve the Group's business strategies and objectives.

For the financial year under review, the internal audit function of the Group was carried out by our in-house IAC department.

The findings of the Internal Auditors were as follows:

- The key management are aware of their responsibility for maintaining a sound internal control system to safeguard shareholders' investment and the Group's assets;

- The Group provides adequate and effective internal control system on the relevant focus areas to safeguard shareholders' interest. There were also no major weaknesses on the existing level of operations. However, on-going initiatives on improvements of level of operations and internal control systems were continuously undertaken by all level of management.

- The internal audit report was presented to ARMC for review and deliberation on 23 April 2019.

4.0 Summary of Work (Continued)

4.4 External Audit

The External Auditors, Crowe Malaysia PLT presented their Audit Review Memorandum in relation to the audit of the Audited Financial Statements for the financial year ended 31 December 2017 and for the financial period ended 30 June 2018 to the ARMC on 8 March 2018 and 18 October 2018 respectively.

Mr. James Chan, the engaging partner from Crowe Malaysia PLT, highlighted the significant audit findings, status of audit, independence and audit adjustments, as set out in the Memorandum. He also confirmed that Crowe Malaysia PLT has been independent throughout the conduct of their audit engagement in accordance with the International Federation of Accountant's Code of Ethics for Professional Accountants and the Malaysia Institute of Accountants' By-Laws (on Professional Ethics, Conduct and Practice).

The ARMC also discussed with the External Auditors on compliance with MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments*, particularly in relation to the fair value of the Group's non-current Concessions' receivables and the measurement of the Group's revenue from Concession and construction projects.

The Audit Review Memorandum for FY2018 was presented to ARMC meeting on 27 February 2019.

4.5 Internal Audit and Compliance Function

The department has upheld its responsibilities as mandated by the Board and following are the activities during the year.

4.5.1 Certificate of ISO 9001:2015

The company established a Quality Management System ("QMS") that focuses on customer support, management system, process-based approach and continual improvement initiatives in line with ISO 9001:2015 standard requirements.

As a result, the certification body DNV-GL has audited our implementation of QMS and is satisfied with the systematic approach used by the Company. The Company was subsequently awarded the ISO 9001 certification on 7 April 2018.

To achieve the desired results from the certification body, IAC has conducted an internal audit engagement with stakeholders based on established QMS models and risk-based approach on the following areas:

- Management;
- Development;
- Construction including safety, health and environment;
- Finance;
- Contract and Procurement;
- Human Resource, Information Technology and Administration;
- Utilities and Energy; and
- Concession and Facility Management.

The results of the internal audit findings for 2018 were commendable. However, continuous improvement initiatives are required for compliance practices and the relevant Management members were made responsible to undertake corrective actions on reported weaknesses within a stipulated timeframe. The final report will be presented to ARMC in 2019 for deliberations and review.

Moving forward, new initiatives on improvement will be part of our quality journey for the implementation of ISO 14001:2015 Environment Management System and ISO 45001:2018 Occupational Health and Safety Management System.

4.0 Summary of Work (Continued)

4.5 Internal Audit and Compliance Function (Continued)

4.5.2 Established Policy and Procedures

As we are in the era of evidence-based practice, it is crucial for IAC to provide advice to the management team on any policies and procedures to be established, adopted and implemented. During the year, IAC established the following policies and procedures:

4.5.2.1 Quality, Safety & Health and Environment Policy
This policy is important as it provides guidance on acceptable business strategies and objectives. This policy is made available to all staff and interested parties. All staff are required to adopt and uphold the motto of "*DO IT RIGHT THE FIRST TIME AND EVERY TIME*" as part of our working culture and principle.

4.5.2.2 Related Party Transaction
The policy and procedures in relation to Related Party Transactions ("RPT") and Recurrent Related Party Transaction ("RRPT") were presented to the ARMC for review and deliberation on 24 May 2018. The Committee approved the policy and procedures after being satisfied that the Company has put in place adequate policies and procedures to monitor, track and identify all RRPT in a timely and orderly manner. The procedures are sufficient to ensure that all RRPT would be conducted on an arm's length basis, and on transaction price and terms not more favourable to the Related Parties that generally available to third parties.

4.5.2.3 Whistle-Blowing Policy
IAC has established a Whistler Blowing Policy to promote reporting of internal and external matters for internal resolution. This policy will be presented to the ARMC in 2019 for further deliberation and review, before recommending it to the Board for approval.

4.5.2.4 Internal Control and Risk Management Handbook
IAC has also developed an Internal Control and Risk Management Handbook for the management and employees of the Group. Continuous enhancements will be made to its existing contents for more comprehensive deliverables, in due course.

4.5.3 Enterprise Risk Management ("ERM") Framework

In pursuing the company's objectives for sustainability and continuity in its business, a Risk Management Sub-Committee was formed on 19 October 2017. This sub-committee is responsible for reviewing the ERM framework, monitoring risks, managing mitigation plans and promoting proactive risk management culture across all departments.

The members comprising head of departments and key representative of each business segments, will ensure effective implementation of plans and corrective actions.

The ERM framework together with the Management's recommendations for improvements were implemented successfully during the year. The risk registry was presented to the ARMC on 23 April 2019.

Details of ERM Framework are explained in the Risk Management and Internal Control Statement included in this Annual Report.

OTHER INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD - ACE MARKET LISTING REQUIREMENTS

UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

The entire enlarged issued share capital of the Company comprising 753,000,000 ordinary shares was listed on the ACE Market of Bursa Securities on 8 January 2019. Pursuant to the said listing, the Company had successfully raised gross proceeds of RM42.00 million from the issuance of 140,000,000 new ordinary shares in the Company at an issue price of RM0.30 per share. The gross proceeds arising from public issue of RM42.00 million accrued entirely to the Company are planned to be utilised in the following manner:

Utilisation of proceeds	Proposed Utilisation RM'000	Actual Utilisation RM'000	Estimated timeframe for utilisation from the date of listing
Funding for the AFF Mixed Development	14,000	-	Within 30 months
Capital expenditures for the district cooling system for the supply of chilled water to a shopping mall under the Datum Jelatek development	6,500	-	Within 12 months
Working capital for a construction project	16,500	-	Within 24 months
Estimated listing expenses	5,000	-	Within 3 months
Total	42,000	-	

As at the end of the FY2018, the IPO is pending completion and hence there was no utilisation of IPO proceeds.

During FY2018, the amount of audit and non-audit fees paid and payable by the Company and the Group to its External Auditors are as follows: -

	Company (RM'000)	Group (RM'000)
Audit Fees	30	124
Non-Audit Fees	459	499

MATERIAL CONTRACTS

There was no material contract entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year under review or entered into since the end of the previous financial year.

OUR RESPONSIBILITY

The Board of Gagasan Nadi Cergas has the overall responsibility for maintaining a sound and effective risk management and internal control system. The risk management and the internal control system is carried out according to an annual audit plan approved by the ARMC.

Prior to the Company's listing on 8 January 2019, the internal audit function was outsourced to an external firm, Sterling Business Alignment Consulting Sdn Bhd to ensure that the Group's internal control system is adequate and effective.

The primary responsibilities of the Board and Management on risk management and internal control, are summarised as follows:

Position	Responsibility
Board of Directors/ARMC	Oversight of risk management matters including identifying, assessing and monitoring key business risks
Group Managing Director	Ultimate responsibility and ownership
Chief Financial Officer/ Internal Auditors	Provide guidance to staff and ensure compliance
Heads of Department / Group of Manager	Support the Group's risk management philosophy, promote compliance and manage risks within their spheres of responsibilities
Group of Executive / Support Staff	Execute risk management in accordance with the directives and protocols of the Group

OUR RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The ARMC supports the Board in monitoring the Group's risk exposures, the operating effectiveness of the risk management and the internal control system. Our risk management and internal control model was developed based on the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") Enterprise Risk Management Framework. The Group's risk management function was carried out by the IAC who reports directly to the ARMC. This process and model of risk management of the Group has been in place for the year 2018 and up to the date of approval of this statement for inclusion in the annual report. This process and model has been approved by the ARMC on 2 January 2019.

During the financial year under review, the IAC has established a risk registry based on the following principles:

- Aligning Risk Appetite and Strategy;
- Enhancing Risk Response Decisions;
- Reducing Operational Surprise and Losses;
- Seizing Opportunities; and
- Improving Deployment of Capital.

STRENGTHENING OUR RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

1. **Planning**

   To achieve a high standard of quality excellence, the ARMC provides oversight on risk management matters, to ensure the Group practises prudent risk management over its businesses and operations. The risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives, and can only provide reasonable, not absolute, assurance against material misstatement or loss.

   The ARMC shall focus on the following three (3) areas:

   - Operational
     Report to the Board on the effectiveness and efficiency of the Group's risk management and internal control system, including operational and financial performances and safeguarding the Group's assets against loss.

   - Reporting
     Ensure that the financial and non-financial reporting structure is reliable and transparent as required by regulators and standard setters.

   - Compliance
     Monitor compliance of laws and regulations of the Group's operations.

THREE (3) LINES OF DEFENCE

ARMC has clear direction and robust controls in managing the Group's risks at both corporate and operating levels, as the Group relies on three (3) lines of defence in managing its risk management and internal controls across all business functions.

		The Board Committee
Risk Management Sub-Committee and Senior Management		
1st Line of Defence	**2nd Line of Defence**	**3rd Line of Defence**
• Management Control • Internal Control Measures	• Financial Control • System of Internal Control & Risk Management • HR capability • Communication Matrix • Compliance • Information Security	• Internal Audit
Risk Owners/Manager	**Risk Control and Compliance**	**Risk Assurance**
All business functions	Control Functions	Internal Audit and Compliance

2. Monitoring

- Compliance with Policies and Procedures

  Our senior management is fully committed to comply with the Group's policies and procedures and this commitment has been communicated to employees at all levels. This "Tone from the top" approach allowed the Group to effectively achieve the desired level of compliance that was set out in the Group's policies and procedures.

- Internal Audit

  IAC conducted an internal audit from 8-18 October 2018 to assess the quality of management information system and risk management, in line with ISO 9001:2015 standard.

  In addition to this, we have outsourced services of internal auditor team from DNV-GL Certification Body to carry out the audit on 5-6 February 2018 and Sterling Business Alignment Consulting Sdn Bhd on 26 November 2018.

  A review on the adequacy and effectiveness of the risk management and internal control has been undertaken by both of the outsourced internal auditors. By referring to the Risk Management and Internal Control Handbook established by the Group, both of the auditors concluded that the Group's risk management and internal control are adequate and effective.

3. Reporting

- All activities related to the internal audit and risk management have been presented to the management regularly. Thus, continuous improvement by all business function have been carried out effectively.

  The Group had categorised its risk into the following:-

Category	Focus Areas
Business Strategies	• Governance • Planning & Resources Allocation • Merger, Acquisition & Diversification • Market Dynamic • Communications & Investor Relationship
Financial	• Taxation • Liquidity & Credit • Accounting and Reporting • Capital Structure
Compliance	• Code of Ethics and Conduct • Legal and Regulations
Operation	• Sales and Marketing • Safeguarding of Assets • Hazards – Office and Projects • Information Technology • People • Supply Chain

MANAGING OUR RISK

Our key personnels are equipped with relevant knowledge and skills, to manage the identified risks in the most effective manner. The company also appointed an external trainer to conduct a two (2) days training session on 18-19 February 2017, on "An Introduction to Risk Management – ISO 9001:2015". A preliminary brainstorming session was carried out to identify all the internal and external factors with potential risk factors.

The ERM framework and procedures were reviewed by the Management Review Meeting on 8 November 2017.

The details of risk identification and mitigation actions were reviewed and assessed by the Risk Management Sub-Committee ("RMSC"), which was established on 19 October 2017 and headed by the Group Managing Director and Heads of Department and key representatives. The on-going process for identifying, evaluating and managing the significant risks faced by the Group is adequate to achieve the Group's objective and strategies.

Severe Risks Affecting the Group's Businesses and Our Mitigating Plan

The management has identified 3 severe risks, which may affect our business operations and the industry the Group operates:

1. Our business will be adversely affected if we fail to obtain or renew our permits and/or regulatory licenses or if they are revoked

   We are required to obtain certain approvals, licenses and permits from relevant regulatory authorities for our business operations. These approvals, licenses and permits are subject to renewal on a periodic basis and are subject to review by the relevant regulatory authorities.

   If we fail to obtain or renew licenses, permit and approval from relevant regulator and authorities, our business operation will be disrupted and our business, reputation and financial prospects could be adversely affected.

   To mitigate this risk, our team is constantly reaching out to relevant regulators and authorities to ensure our operations are always in compliance with any existing and/or new requirements to avoid major disruption to our business operations.

Severe Risks Affecting the Group's Businesses and Our Mitigation Plan (Continued)

2. We are dependent on Government Projects

   For the financial year under review, Government Projects accounted for 96.68% of our Group's total revenue. In this respect, we are exposed to the risk associated with Government Projects and this includes, but is not limited to, changes in Government spending and initiatives, Government policies such as affordable housing scheme and budget allocations, changes in political conditions or general economic conditions in Malaysia. Unfavourable changes relating to Government projects which are not favourable to our Group may have an adverse impact on our financial performance.

   To mitigate this risk, the Group plans to participate more aggressively in tenders from the private sector while maintaining our participation in tenders for government projects to balance out our exposure to such risk.

3. Our contracts may be subject to early termination

   Our contracts may be terminated earlier than expected, either within applicable notice periods pursuant to the contract terms, upon default or non-performance by us or our customers.

   To mitigate this risk, the Group consistently reviews its roles and responsibilities as stipulated in the contracts to ensure that we fully comply with what is required of us to avoid any event of default arising from our negligence.

The Group's principal risks were systematically monitored, assessed and reported to the ARMC. The Group will continue to focus on sound risk assessment practices and internal controls to mitigate these risks.

The details of the risk registry was presented to the ARMC on 23 April 2019.

Other Risk and Control Processes

The Group has adequate controls in place and key management plays an important role in adopting a sound internal control system, including:

- A clearly defined reporting structures, roles and responsibilities;
- Adopting Quality Management System Manual, Policies, Procedures and other documented references of law and regulations;
- Embracing our policy of "DO IT RIGHT THE FIRST TIME AND EVERY TIME";
- Producing timely and accurate financial reports for all stakeholders;
- Adopting the "Plan-Do-Check-Act" problem solving technique for continuous improvements;
- Regularly monitoring the key performance indicators for better operational control; and
- Inculcating a robust risk governance and compliance culture.

INTERNAL AUDIT FUNCTION

IAC evaluates the adequacy and effectiveness of internal controls based on the ERM's framework in relation to the organisation's governance, operations and information systems. The focus areas are as follows:

- Reliability and integrity of operational controls;
- Effectiveness and efficiency of the internal control system;
- Safeguarding of Group's assets; and
- Compliance with relevant laws, regulations and contractual obligations.

All internal control deficiencies identified were reported to the appropriate levels of management on an immediate basis. Briefing and hands-on programmes were conducted for all departments to ensure corrective actions are implemented immediately.

As part of the continuous improvement initiatives, Heads of Department and key representatives are required to regularly review existing policies and procedures of their respective business segments.

IAC also assists in providing assistance and guidance to stakeholders to ensure that the Group's internal control system is operating adequately and effectively, in all material aspects.

The total cost incurred by the IAC in discharging its functions and responsibilities for the financial year under review amounted to RM411,404.00 and cost incurred for outsourced Sterling Business Alignment Consulting Sdn Bhd for the financial year under review amounted to RM85,000.00.

REVIEW OF STATEMENT

As required by paragraph 15.23 of the ACE Listing Requirements of Bursa Malaysia Securities Berhad, Crowe Malaysia PLT have reviewed this Statement on Risk Management and Internal Control accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised); Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide (“AAPG”) 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report for the financial year ended 31 December 2018, and reported to the Board that nothing has come to their attention that causes them to believe that the Annual Report is not prepared, in all material aspects, in accordance with the disclosures required by Paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and Practice 9.1 and 9.2 of the Malaysia Code on Corporate Governance 2017, nor is the Statement factually inaccurate. AAPG3 does not require the external auditors to form an opinion on the adequacy on risk management and effectiveness of the risk management and internal control system of the Group.

The outsourced internal auditor, Sterling Business Alignment Consulting Sdn Bhd has also confirmed that the Group’s risk management and internal control system during the year 2018 under review, is adequate and effective.

CONCLUSION

The Board is satisfied that the Group’s risk management and internal control for the year under review was sound and adequate to safeguard shareholders’ investments, stakeholders’ interests and the Group’s assets. The Board has not identified any circumstances which suggest any fundamental deficiencies in the Group’s internal control system.

The Board has also received assurance from the Group Managing Director and Chief Financial Officer that the Group’s risk management and internal control is adequate and effective, in all material aspects.

This Statement is approved by the Board on 23 April 2019.

DIRECTORS' RESPONSIBILITY STATEMENT

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are required under Rule 15.26(a) of the ACE Market Listing Requirements of Bursa Securities to issue a statement on its responsibility in the preparation of the annual audited financial statements.

The Directors are responsible for ensuring that the financial statements are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance and cash flows for the financial year ended on that date.

During the preparation of the financial statements for the financial year ended 31 December 2018, the Directors have:

(i) applied the appropriate and relevant accounting policies consistently and in accordance with applicable approved accounting standards;

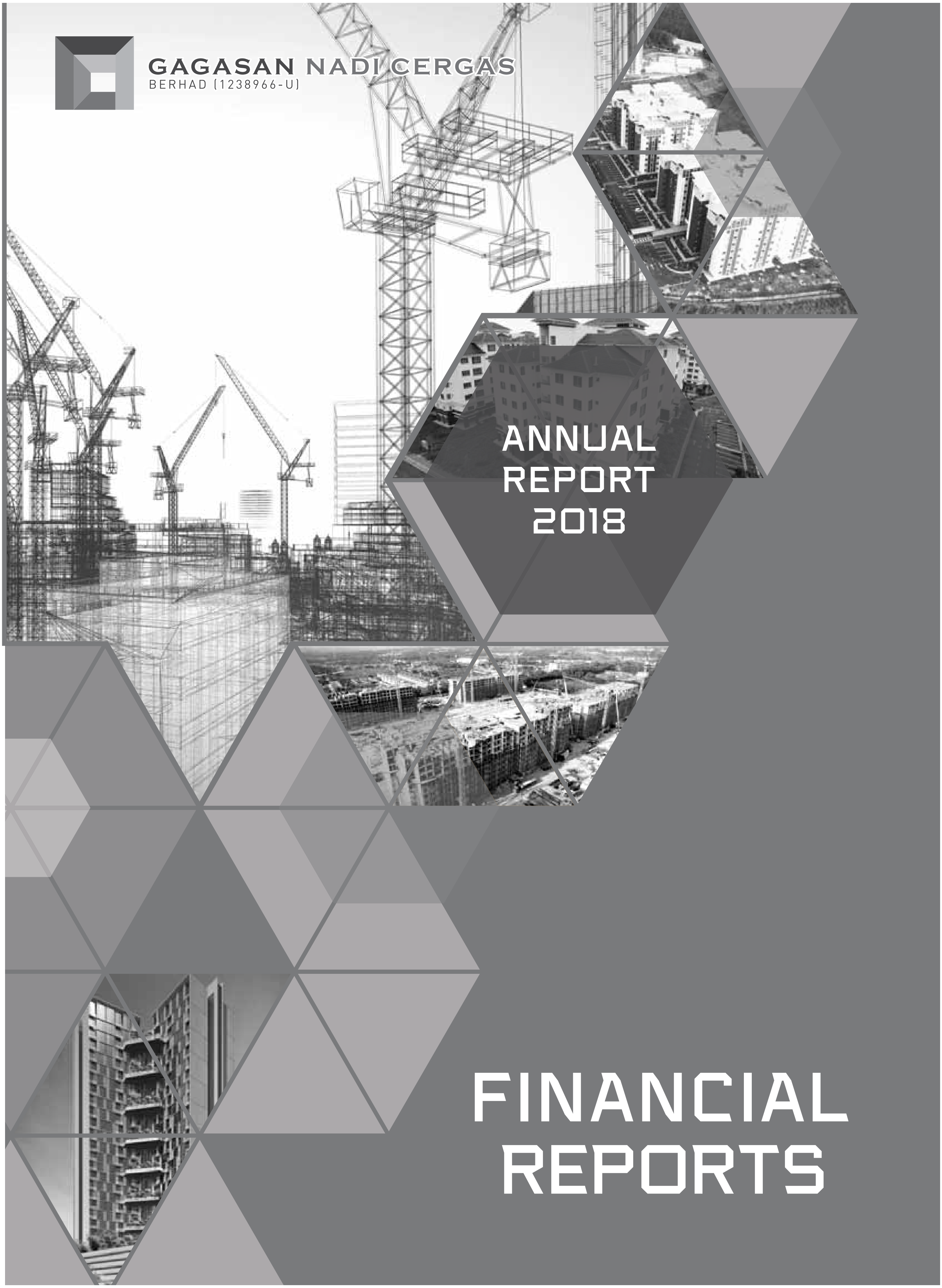
(ii) made judgements and estimates that are reasonable and prudent; and

(iii) applied the going concern basis for the preparation of the financial statements.

The Directors also have a general responsibility to keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy to ensure compliance with the Companies Act 2016 as well as to take reasonable steps to safeguard the assets of the Group and of the Company to prevent and to detect fraud and other irregularities.

The Statement is made in accordance with a resolution of the Board of Directors dated 23 April 2019.

GAGASAN NADI CERGAS
BERHAD (1238966-U)



ANNUAL
REPORT
2018

FINANCIAL REPORTS

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

CONVERSION OF PRIVATE COMPANY TO PUBLIC COMPANY

On 16 August 2017, the Company converted from a private limited company to a public company limited by shares and assumed its present name, Gagasan Nadi Cergas Berhad.

RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) after taxation for the financial year	32,792	(2,663)
Attributable to:-		
Owners of the Company	32,590	(2,663)
Non-controlling interests	202	-
	32,792	(2,663)

DIVIDENDS

No dividend was recommended by the directors for the financial year.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

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

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

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

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 there are no known bad debts 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 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:-

(i) 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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS

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

Haji Wan Azman Bin Wan Kamal
Dato' Sri Subahan Bin Kamal
Ir Dr Muhamad Fuad Bin Abdullah
Chng Boon Huat
Siti Naaishah Binti Hambali

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:-

Aminudin Bin Taib
Datuk Wan Kassim Bin Ahmed
Endie Jude Tofil Bin Md Tuffile
Haji Wan Badrul Hisham Bin Wan Kamal
Haji Zulkifli Bin Abdul (Resigned on 23 January 2018)
Lee Heng Kheong
Loh Soon Wah
Tan Keng Seng

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	At 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
Company				
Direct Interests				
Haji Wan Azman Bin Wan Kamal	561,916,663	-	-	561,916,663
Dato' Sri Subahan Bin Kamal	51,083,337	-	-	51,083,337

By virtue of their shareholdings in the Company, Haji Wan Azman Bin Wan Kamal and Dato' Sri Subahan Bin Kamal are deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in shares of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 33 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.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial year are disclosed in Note 32 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, there is no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 36 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 37 to the financial statements.

AUDITORS

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), have expressed their willingness to continue in office.

The auditors' remuneration is disclosed in Note 27 to the financial statements.

Signed in accordance with a resolution of the directors dated

Haji Wan Azman Bin Wan Kamal

Dato' Sri Subahan Bin Kamal

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Haji Wan Azman Bin Wan Kamal and Dato' Sri Subahan Bin Kamal, being two of the directors of Gagasan Nadi Cergas Berhad, state that, in the opinion of the directors, the financial statements set out on pages 57 to 116 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 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 23 April 2019.

Haji Wan Azman Bin Wan Kamal

Dato' Sri Subahan Bin Kamal

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Haji Wan Azman Bin Wan Kamal, being the director primarily responsible for the financial management of Gagasan Nadi Cergas Berhad, do solemnly and sincerely declare that the financial statements set out on pages 57 to 116 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the above mentioned
Haji Wan Azman Bin Wan Kamal, NRIC Number: 610428-03-5465
at Kuala Lumpur in the Federal Territory
on this 23 April 2019

Haji Wan Azman Bin Wan Kamal

Before me,
Lai Din (No. W668)
Commissioner for Oaths

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Gagasan Nadi Cergas Berhad, which comprise the statements of financial position as at 31 December 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 57 to 116.

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 December 2018, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *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.

Revenue Recognition and Contract Accounting

Refer to Note 24 to the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue is one of the largest accounts in the financial statements and an important driver of the Group's operating results. We focus on this area as under ISA 240 there is presumption that there are risks of fraud in revenue recognition. There is a risk that Management could adopt accounting policies which could result in material misstatement in the reported revenue position and resulting profit. Given the significant risks involved when auditing revenue, revenue recognition and contract accounting is an area of audit emphasis as it requires significant management judgement and estimate including amongst others:- i. Assessment of the stage of completion and timing of revenue recognition. ii. Estimating cost budgets. iii. Determining project costs to complete. iv. Recognition of variation orders. v. Provision for foreseeable losses and liquidated ascertained damages.	Our audit procedures included, among others: • Assessing internal control procedures by flowchart and walkthrough test; • Performing test of control; • Assessing basis used in estimating the budgeted costs; • Verifying transaction prices, project billings and contract costs incurred; • Testing the percentage of completion to ensure contract costs incurred to-date reflects the actual work performed; • Assessing calculation of recognition of revenue, cost and profit to be consistent with the percentage of completion and satisfaction of performance obligations; and • Assessing reasonableness and adequacy of provision for foreseeable loss and liquidated ascertained damages. No significant issues noted from our work.

Key Audit Matters (Continued)

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

Recoverability of Trade Receivables

Refer to Note 10 to the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
The trade receivables of the Group amounted to approximately RM666.7 million and it constituted 73% of the total assets of the Group. As at 31 December 2018, trade receivables that were past due amounted to RM31.41 million. The details of trade receivables and its credit risk have been disclosed in Note 35 to the financial statements. Management recognised impairment losses on trade receivables based on specific known facts or circumstances or the abilities of customers to pay. The determination of whether trade receivables are recoverable involves significant management judgement.	Our audit procedures included, among others: • Reviewing recoverability of major receivables including but not limited to the review of subsequent collections; • Enquiring management on project/receivables status for major customers; • Reviewing collections and sales trends during the financial year of major receivables; and • Reviewing management's basis of estimation on the adequacy of the Group's allowance for impairment loss on trade receivables. No significant issues noted from our work.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities 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.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism 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.

- 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 benefits of such communication.

OTHER MATTERS

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

Crowe Malaysia PLT
LLP0018817-LCA & AF 1018
Chartered Accountants
23 April 2019

Kuala Lumpur

Chan Kuan Chee
02271/10/2019 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000 (Restated)	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	6	30,429	27,104	-	-
Inventories	7	75,822	71,362	-	-
Investments in subsidiaries	8	-	-	96,926	96,926
Investment in an associate	9	-	-	-	-
Trade receivables	10	589,875	619,517	-	-
		696,126	717,983	96,926	96,926
CURRENT ASSETS					
Inventories	7	17,532	-	-	-
Contract assets	11	32,980	5,868	-	-
Trade receivables	10	76,815	57,510	-	-
Other receivables, deposits and prepayments	12	11,838	21,110	2,051	2,201
Current tax assets		239	665	-	-
Fixed deposits with licensed banks	13	50,519	44,222	-	-
Cash and bank balances		23,187	29,844	68	#
		213,110	159,219	2,119	2,201
TOTAL ASSETS		909,236	877,202	99,045	99,127
EQUITY AND LIABILITIES					
EQUITY					
Share capital	14	95,444	95,444	95,444	95,444
Retained profits/(Accumulated losses)		283,302	257,876	(1,255)	1,408
Equity attributable to owners of the Company		378,746	353,320	94,189	96,852
Non-controlling interests		4,319	4,117	-	-
TOTAL EQUITY		383,065	357,437	94,189	96,852
NON-CURRENT LIABILITIES					
Hire purchase payables	15	937	600	-	-
Term loans	16	155,730	167,899	-	-
Bonds	17	160,000	180,000	-	-
Deferred tax liabilities	18	78,845	77,145	-	-
		395,512	425,644	-	-
CURRENT LIABILITIES					
Trade payables	19	73,666	49,908	-	-
Other payables and accruals	20	9,155	5,325	1,514	67
Amount owing to a subsidiary	21	-	-	3,342	2,208
Hire purchase payables	15	505	525	-	-
Term loans	16	13,371	13,770	-	-
Bonds	17	20,000	20,000	-	-
Bank overdrafts	22	6,783	-	-	-
Bill financing	23	5,890	4,059	-	-
Current tax liabilities		1,289	534	-	-
		130,659	94,121	4,856	2,275
TOTAL LIABILITIES		526,171	519,765	4,856	2,275
TOTAL EQUITY AND LIABILITIES		909,236	877,202	99,045	99,127

- Amount below RM1,000

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	1.1.2018 to 31.12.2018 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2018 to 31.12.2018 RM'000	17.7.2017 (Date of Incorporation) to 31.12.2017 RM'000
REVENUE	24	300,092	212,511	-	-
COST OF SALES		(238,402)	(133,747)	-	-
GROSS PROFIT		61,690	78,764	-	-
OTHER INCOME		33,573	26,241	-	1,482
		95,263	105,005	-	1,482
SELLING AND DISTRIBUTION EXPENSES		(181)	(154)	(1)	-
ADMINISTRATIVE EXPENSES		(26,052)	(18,462)	(2,662)	(74)
OTHER EXPENSES		(3,052)	(2,540)	-	-
FINANCE COSTS	25	(19,080)	(16,892)	-	-
NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS	26	(1,263)	-	-	-
PROFIT/(LOSS) BEFORE TAXATION	27	45,635	66,957	(2,663)	1,408
INCOME TAX EXPENSE	28	(12,843)	(16,768)	-	-
PROFIT/(LOSS) AFTER TAXATION		32,792	50,189	(2,663)	1,408
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIALYEAR/PERIOD		32,792	50,189	(2,663)	1,408
PROFIT/(LOSS) AFTER TAXATION/ TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		32,590	49,760	(2,663)	1,408
Non-controlling interests		202	429	-	-
		32,792	50,189	(2,663)	1,408
EARNINGS PER SHARE (SEN):-	29				
Basic		5.32	8.12		
Diluted		5.32	8.12		

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share Capital RM'000	Distributable Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-Controlling interest RM'000	Total Equity RM'000
Group						
Balance at 1.1.2017		15,000	291,560	306,560	3,688	310,248
Profit after taxation/Total comprehensive income for the financial year		-	49,760	49,760	429	50,189
Contributions by and distribution to owners of the Company:						
- Issuance of shares		95,444	-	95,444	-	95,444
- Adjustment and merger deficit arising from the acquisition of Nadi Cergas Sdn. Bhd.		(15,000)	(80,444)	(95,444)	-	(95,444)
- Dividends by subsidiary	30	-	(3,000)	(3,000)	-	(3,000)
Total transactions with owners		80,444	(83,444)	(3,000)	-	(3,000)
Balance at 31.12.2017		95,444	257,876	353,320	4,117	357,437
Balance at 31.12.2017/1.1.2018		95,444	257,876	353,320	4,117	357,437
Changes in accounting policies	38	-	(7,164)	(7,164)	-	(7,164)
Balance at 31.12.2017/ 1.1.2018 (restated)		95,444	250,712	346,156	4,117	350,273
Profit after taxation/Total comprehensive income for the financial year		-	32,590	32,590	202	32,792
Balance at 31.12.2018		95,444	283,302	378,746	4,319	383,065

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share Capital RM'000	Retained Profit/ (Accumulated Losses) RM'000	Total Equity RM'000
Company				
Balance at 17.7.2017 (Date of incorporation)		#	-	#
Profit after taxation/Total comprehensive income for the financial period		-	1,408	1,408
Contribution by the owner of the Company:				
- Issuance of shares	14	95,444	-	95,444
Balance at 31.12.2017/1.1.2018		95,444	1,408	96,852
Loss after taxation/Total comprehensive expenses for the financial year		-	(2,663)	(2,663)
Balance at 31.12.2018		95,444	(1,255)	94,189

- Amount below RM1,000

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		1.1.2018 to 31.12.2018 RM'000	**1.1.2017 to 31.12.2017 RM'000**	**1.1.2018 to 31.12.2018 RM'000**	**17.7.2017 (Date of Incorporation) to 31.12.2017 RM'000**
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit/(Loss) before taxation		45,635	66,957	(2,663)	1,408
Adjustments for:-					
Depreciation of property, plant and equipment		2,178	1,977	-	-
Impairment losses:					
- trade receivables		1,100	-	-	-
- other receivables		3,291	-	-	-
Interest expense		19,080	16,892	-	-
Property, plant and equipment written off		20	-	-	-
Accretion of fair value on non-current trade receivables		(31,057)	(24,589)	-	-
Dividend income		-	-	-	(1,482)
Gain on disposal of property, plant and equipment		(123)	(20)	-	-
Interest income		(2,093)	(1,369)	-	-
Reversal of impairment losses:					
- contract assets		(7)	-	-	-
- trade receivables		(2,695)	-	-	-
- other receivables		(193)	-	-	-
- cash and bank balances		(88)	-	-	-
- fixed deposits with licensed banks		(145)	-	-	-
Operating profit/(loss) before working capital changes		34,903	59,848	(2,663)	(74)
Increase in inventories		(6,593)	-	-	-
(Increase)/Decrease in contract assets		(27,112)	205,618	-	-
Decrease/(Increase) in trade and other receivables		31,299	(276,203)	150	(2,201)
Increase in trade and other payables		27,588	7,070	1,447	67
CASH FROM/(FOR) OPERATIONS		60,085	(3,667)	(1,066)	(2,208)
Income tax paid		(9,961)	(6,889)	-	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES CARRIED FORWARD		50,124	(10,556)	(1,066)	(2,208)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 1.1.2018 to 31.12.2018 RM'000	Group 1.1.2017 to 31.12.2017 RM'000	Company 1.1.2018 to 31.12.2018 RM'000	Company 17.7.2017 (Date of Incorporation) to 31.12.2017 RM'000
NET CASH FROM/(FOR) OPERATING ACTIVITIES BROUGHT FORWARD		50,124	(10,556)	(1,066)	(2,208)
CASH FLOWS FOR INVESTING ACTIVITIES					
Acquisition of subsidiaries, dividend-in-specie at cost		-	-	-	(1,482)
Dividends received		-	-	-	1,482
Interest income received		2,093	1,369	-	-
Placement of pledged fixed deposits and with tenure more than 3 months		(13,476)	(23,435)	-	-
Proceeds from disposal of an associate		-	3,134	-	-
Proceeds from disposal of property, plant and equipment		198	20	-	-
Purchase of properties held for future development		(4,461)	(4,181)	-	-
Purchase of property, plant and equipment	31(a)	(4,657)	(2,914)	-	-
NET CASH FOR INVESTING ACTIVITIES		(20,303)	(26,007)	-	-
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Advances from a subsidiary		-	-	1,134	2,208
Dividends paid	30	-	(3,000)	-	-
Drawdown of term loans	31(b)	1,500	79,548	-	-
Interest paid		(19,080)	(16,892)	-	-
Net drawdown of bill financing	31(b)	1,831	4,059	-	-
Repayment of hire purchase obligations	31(b)	(623)	(640)	-	-
Repayment of bonds	31(b)	(20,000)	(20,000)	-	-
Repayment of term loans	31(b)	(14,068)	(3,241)	-	-
Repayment to a director		-	(18,130)	-	-
Repayment to a related party		-	(5,000)	-	-
Proceeds from issuance of ordinary shares		-	#	-	#
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(50,440)	16,704	1,134	2,208
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(20,619)	(19,859)	68	#
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		44,249	64,108	#	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD		23,630	44,249	68	#

- Amount below RM1,000

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
Principal place of business	:	F-1 @ 8 Suria 33, Jalan PJU 1/42, 47301 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 23 April 2019.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. CONVERSION OF PRIVATE COMPANY TO PUBLIC COMPANY

On 16 August 2017, the Company converted from a private limited company to a public company limited by shares and assumed its present name, Gagasan Nadi Cergas Berhad.

4. BASIS OF PREPARATION

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

4.1 The financial statements of subsidiaries as disclosed in Note 8 to the financial statements have been consolidated using the merger method of accounting as disclosed in Note 5.2 to the financial statements.

The implication of the merger method of accounting on the presentation of the consolidated financial statements is as follows:-

(a) The consolidated statement of financial position for the current reporting period comprise the consolidation of:-

(i) The financial position of subsidiaries as at 31 December 2018; and
(ii) The financial position of the Company as at 31 December 2018.

(b) The consolidated statement of financial position for the comparative period comprise the consolidation of:-

(i) The financial position of subsidiaries as at 31 December 2017; and
(ii) The financial position of the Company as at 31 December 2017.

(c) The consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the current reporting period comprise the consolidation of:-

(i) The financial results and cash flows of subsidiaries for the financial year ended 31 December 2018; and
(ii) The financial results and cash flows of the Company for the financial year ended 31 December 2018.

(d) The consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the comparative period comprise the consolidation of:-

(i) The financial results and cash flows of subsidiaries for the financial year ended 31 December 2017; and
(ii) The financial results and cash flows of the Company for the financial period from 17 July 2017 (date of incorporation) to 31 December 2017.

4. BASIS OF PREPARATION (Continued)

4.1 The implication of the merger method of accounting on the presentation of the consolidated financial statements is as follows:- (Continued)

(e) The consolidated statement of changes in equity for the current reporting period comprise:-

(i) The statement of changes in equity of subsidiaries for the financial year ended 31 December 2018; and
(ii) The equity transactions of the Company for the financial year ended 31 December 2018.

(f) The consolidated statement of changes in equity for the comparative period comprise:-

(i) The statement of changes in equity of subsidiaries for the financial year ended 31 December 2017; and
(ii) The equity transactions of the Company for the financial period from 17 July 2017 (date of incorporation) to 31 December 2017.

4.2 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Amendments to MFRS 140 – Transfers of Investment Property

Annual Improvements to MFRS Standards 2014 – 2016 Cycles
- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

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:-

MFRS 9 introduces a new classification and measurement requirements for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. MFRS 9 contains 3 principal classification categories for financial assets i.e. measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income and eliminates the previous categories of held to maturity, loans and receivables and available-for-sale financial assets. In addition, MFRS 9 replaces the ‘incurred loss’ model in MFRS 139 with an ‘expected credit loss’ model. This new impairment approach is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The changes in accounting policies as a consequence of the adoption of above accounting standards and interpretation (including the consequential amendments, if any) are presented in Note 38 to the financial statements.

4. BASIS OF PREPARATION (Continued)

4.3 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial positon (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group is currently assessing the financial impact that may arise from the adoption of this standard.

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 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) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 6 to the financial statements.

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

(c) Impairment of Property, Plant and Equipment

The Group determines whether its property, plant and equipment 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 property, plant and equipment as at the reporting date is disclosed in Note 6 to the financial statements.

(d) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets. The carrying amounts of trade receivables and contract assets as at the reporting date are disclosed in Notes 10 and 11 to the financial statements.

(e) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of other receivables as at the reporting date are disclosed in Note 12 to the financial statements.

(f) Revenue Recognition for Construction Contracts

The Group recognises construction revenue by reference to the construction progress using the input method, determined based on the proportion of construction costs incurred for work performed todate over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amount of contract assets as at the reporting date are disclosed in Note 11 to the financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(g) Revenue and Cost Recognition of Property Development Activities

The Group recognises property development revenue as and when the control of the asset is transferred to a customer and it is probable that the Group will collect the consideration to which it will be entitled. The control of the asset may transfer over time or at a point in time depending on the terms of the contract with the customer and the application laws governing the contract.

When the control of the asset is transferred over time, the Group recognises property development revenue and costs by reference to the progress towards complete satisfaction of the performance obligation at the end of the reporting period. This is measured based on the Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Significant judgement is required in determining the completeness and accuracy of the budgets and the extent of the costs incurred. Substantial changes in property development cost estimates in the future can have a significant effect on the Group's results. In making the judgement, the Group evaluates and relies on past experience and works of specialists.

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.

(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.

5.2 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 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.2 BASIS OF CONSOLIDATION (Continued)

Under the merger method of accounting, the result of the subsidiary is presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting debit or credit difference is classified as a non-distributable reserve.

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 subsidiary to ensure consistency of accounting policies with those of the Group.

(a) Merger Accounting for Common Control Business Combinations

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial year.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The merger deficit is adjusted against suitable reserves of the subsidiaries acquired to the extent that laws or statues do not prohibit the use of such reserves. The results of the subsidiaries being merged are included for the full financial year.

(b) Acquisition method of accounting for non-Common Control Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(c) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes In Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.2 BASIS OF CONSOLIDATION (Continued)

(e) Loss of Control

Upon the 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 MFRS 9 (2017 - MFRS 139) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

5.3 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 and has been rounded to the nearest thousand, unless otherwise stated.

5.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

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

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 - Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

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

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.4 FINANCIAL INSTRUMENTS (Continued)

(a) Financial Assets (Continued)

Debt Instruments (Continued)

(i) Amortised Cost (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequent measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

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

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.4 FINANCIAL INSTRUMENTS (Continued)

(c) Equity Instruments (Continued)

Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

Accounting Policies Applied Until 31 December 2017

As disclosed in Note 38 to the financial statements, the Group has applied MFRS 9 retrospectively but has elected not to restate comparative information of its financial instruments. As a result, the comparative information of the Group's financial assets continues to be accounted for in accordance with its previous accounting policies as summarised below:-

- Financial assets were designated at fair value through profit or loss when the financial asset was either held for trading or was designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives were also classified as held for trading unless they were designated as hedges. Financial assets at fair value through profit or loss were stated at fair value at each reporting date with any gain or loss arising on remeasurement recognised in profit or loss.

- Non-derivative financial assets with fixed or determinable payments and fixed maturities that the management had the positive intention and ability to hold to maturity were classified as held-to-maturity. The held-to-maturity investments were 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.

- Unquoted trade receivables and other receivables with fixed or determinable payments were classified as loans and receivables financial assets, measured at amortised cost using the effective interest method, less any impairment loss. Interest income was recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.4 FINANCIAL INSTRUMENTS (Continued)

Accounting Policies Applied Until 31 December 2017 (Continued)

- Available-for-sale financial assets were non-derivative financial assets not classified in any of the other categories. After initial recognition, available-for-sale financial assets were remeasured to fair value at each reporting date with any gain and loss 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 was reclassified from equity into profit or loss. Investments in equity instruments whose fair value cannot be reliably measured were measured at cost less accumulated impairment losses, if any.

5.5 INVESTMENTS IN SUBSIDIARIES

Investments in 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 transaction costs.

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

5.6 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 are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Buildings	2%
Chiller plant and machineries	5%
Cabins, furniture and office equipment	6%-10%
Plant and machinery	10%
Computers and software	20%
Motor vehicles	20%
Renovation	20%

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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 periods 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.7 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost and net realisable value are determined as below:-

Property Development

(i) Properties Held for Future Development

The cost comprises specifically identified cost, including cost associated to the purchase of land and an appropriate proportion of common infrastructure costs and borrowing costs capitalised.

Net realisable value represents the estimated selling price of intended properties that to be developed less the estimated costs of completion and the estimated costs necessary in selling the properties. If future development layout plan is not available, the replacement cost of the properties held for future development will be the best available measure of the net realisable value.

Properties held for future development for which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operation cycle is classified as non-current asset.

Properties held for future development is transferred to 'properties under development for sale' category when development activities have commenced and are expected to be completed within the Group's normal operating cycle.

(ii) Properties Under Development for Sale

The cost comprises specifically identified cost, including cost associated to the purchase of land, conversion fees, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of common infrastructure costs and borrowing costs capitalised.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary in selling the property.

(iii) Completed Properties Held for Sale

The cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. The cost of completed properties held for sale comprises cost associated with the acquisition of land, costs of conversion and other costs 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 in selling the property.

5.8 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income, trade receivables and contract assets, as well as on financial guarantee contracts.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.8 IMPAIRMENT (Continued)

(a) Impairment of Financial Assets (Continued)

For concession services receivables and all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Accounting Policy Applied Until 31 December 2017

As disclosed in Note 38 to the financial statements, the Group has applied MFRS 9 retrospectively with cumulative financial impacts recognised in the opening consolidated statement of financial position on 1 January 2018 (date of initial application of MFRS 9) and hence, the comparative information of its financial instruments is not restated. As a result, the comparative information on the impairment of the Group's financial assets has been accounted for in accordance with its previous accounting policy as summarised below:-

- The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset (or group of financial assets) was impaired. Impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event(s) had an impact on the estimated future cash flows of the financial asset (or group of financial assets) that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting year 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 assessments 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.

An impairment loss is recognised in profit or loss.

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.

5.9 LEASED ASSETS

(a) Finance Leases

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

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.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.9 LEASED ASSETS (Continued)

(b) Operating Leases

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases, and the leased assets are not recognised on the statement of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

5.10 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation 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 other receivables or other payables.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.11 CONTRACT ASSET AND CONTRACT LIABILITY

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9 - Financial Instruments.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

5.12 BORROWING COSTS

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

5.13 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.

5.14 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 unwinding of the discount is recognised as interest expense in profit or loss.

5.15 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave, bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss 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.

5.16 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.17 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.

5.18 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, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

5.19 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's 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.

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.

5.20 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.20 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

(a) Construction Services

Revenue from construction services is recognised over time in the period in which the services are rendered using the input method, determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

Long-term concession contracts with government or government agencies

The Group has concession arrangements with the Government of Malaysia ("Government") or government agencies ("the Grantor") to design, develop, construct and complete the Facilities and Infrastructure ("concession asset") and to carry out the Asset Management Services for a concession period of 22.5 (Including construction period of 2.5 years) years and transfer the concession asset to the grantor at the end of concession periods.

Payment terms for contracts with Government and Grantor are usually based on equal instalments over the duration of the contract after the asset management service commencement date. If the Group has recognised revenue, but not issued a bill, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment become unconditional.

(b) Rendering of Facility Management Services

Revenue from providing facility management services is recognised over time in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. As a practical expedient, the Group recognises revenue on a straight-line method over the period of service.

(c) Property Development Activities

Revenue from property development is recognised progressively when property development services are rendered and such services do not create an asset with an alternative's use to the Company, and the Company has a present right to payment for services rendered to date. The progress towards complete satisfaction of the performance obligation is measured based on a method that best depicts the Company's performance in satisfying the performance obligation of the contract. This is determined by reference to the property development costs incurred up to the end of the reporting period as a percentage of total estimated costs for complete satisfaction of the contract. Otherwise, revenue is recognised at a point in time upon delivery of property and customer's acceptance, and the Company has a present right to payment for the property sold.

A receivable is recognised when the development activities are carried out as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. When the services rendered exceed the billings to customers, a contract asset is recognised. If the billings exceed the services rendered, a contract liability is recognised.

(d) Rendering of Utility Services

Revenue from providing utility services is recognised over time in the period in which the services are rendered. This is based on the actual customer usage relative to the agreed-upon charging rates.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.21 REVENUE FROM OTHER SOURCES AND OTHER OPERATING INCOME

(a) Dividend Income

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

(b) Interest Income

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

(c) Rental Income

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

6. PROPERTY, PLANT AND EQUIPMENT

	At 1.1.2018 RM'000	Additions RM'000	Disposal RM'000	Write Off RM'000	Depreciation Charges RM'000	At 31.12.2018 RM'000
Group						
2018						
Carrying Amount						
Freehold land and buildings	17,317	-	-	-	(297)	17,020
Chiller plant and machineries	1,169	-	-	-	(112)	1,057
Cabins, furniture and office equipment	1,036	142	-	-	(177)	1,001
Plant and machinery	2,547	-	-	-	(249)	2,298
Computers and software	1,659	287	-	-	(414)	1,532
Motor vehicles	1,779	1,157	(74)	(20)	(808)	2,034
Renovation	283	11	-	-	(121)	173
Capital work-in-progress	1,314	4,000	-	-	-	5,314
	27,104	5,597	(74)	(20)	(2,178)	30,429

	At 1.1.2017 RM'000	Additions RM'000	Disposal RM'000	Write Off RM'000	Depreciation Charges RM'000	At 31.12.2017 RM'000
Group						
2017						
Carrying Amount						
Freehold land and buildings	17,614	-	-	-	(297)	17,317
Chiller plant and machineries	1,280	-	-	-	(111)	1,169
Cabins, furniture and office equipment	975	231	-	-	(170)	1,036
Plant and machinery	2,669	121	-	-	(243)	2,547
Computers and software	42	1,904	-	-	(287)	1,659
Motor vehicles	1,762	795	-	-	(778)	1,779
Renovation	150	224	-	-	(91)	283
Capital work-in-progress	1,070	244	-	-	-	1,314
	25,562	3,519	-	-	(1,977)	27,104

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
Group			
2018			
Freehold land and buildings	18,849	(1,829)	17,020
Chiller plant and machineries	2,226	(1,169)	1,057
Cabins, furniture and office equipment	2,781	(1,780)	1,001
Plant and machinery	7,558	(5,260)	2,298
Computers and software	2,379	(847)	1,532
Motor vehicles	5,244	(3,210)	2,034
Renovation	1,111	(938)	173
Capital work-in-progress	5,314	-	5,314
	45,462	(15,033)	30,429
Group			
2017			
Freehold land and buildings	18,849	(1,532)	17,317
Chiller plant and machineries	2,226	(1,057)	1,169
Cabins, furniture and office equipment	2,639	(1,603)	1,036
Plant and machinery	7,558	(5,011)	2,547
Computers and software	2,092	(433)	1,659
Motor vehicles	5,412	(3,633)	1,779
Renovation	1,100	(817)	283
Capital work-in-progress	1,314	-	1,314
	41,190	(14,086)	27,104

(a) Included in the property, plant and equipment of the Group at the end of the reporting period were motor vehicles with a total carrying amount of RM1,896,000 (2017 - RM1,456,000) which were acquired under hire purchase terms. These leased assets have been pledged to licensed banks as security for related finance lease liabilities of the Group as disclosed in Note 15 to the financial statements.

(b) Included in the property, plant and equipment of the Group at the end of the reporting period were freehold land and buildings with a total carrying amount of RM13,020,000 (2017 - RM13,317,000) which have been charged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 16 to the financial statements.

7. INVENTORIES

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)
Property Development		
Properties held for future development	75,822	71,362
Properties under development for sale	17,532	-
	93,354	71,362
Represented by:		
Non-current assets	75,822	71,362
Current assets	17,532	-
	93,354	71,362
Recognised in profit or loss:		
Inventories of property development	7,590	-

(a) Included in the properties held for future development comprise freehold lands and leasehold lands that have been charged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 16 to the financial statements.

(b) Included in the properties under development for sale comprise a piece of development land registered under a third party's name that has been charged to a licensed bank as security for banking facilities granted to the Group as disclosed in Notes 16 and 22 to the financial statements.

(c) On 19 February 2018, the Group has obtained the Developers' Licence and Advertising and Sales Permit for the development of a residential project. Hence, the prepaid preliminary costs and deposits in relation to the purchase costs of development lands and costs incurred on development project had been transferred to properties held for future development and properties under development for sale upon the commencement of property development.

(d) Included in properties held for future development are interests on borrowings capitalised during the financial year amounting to RM1,135,000 (2017 - RM1,483,000).

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	31.12.2018 RM'000	31.12.2017 RM'000
Unquoted shares, at cost	96,926	96,926

The details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:-

Name of Subsidiaries	Percentage of Issued Share Capital Held by Parent 2018 %	2017 %	Principal Activities
Direct Subsidiaries			
Nadi Cergas Sdn. Bhd. ("NCSB")	100	100	Property development, and construction of buildings, infrastructures and related facilities.
Nadi Cergas Hartanah Sdn. Bhd. ("NCH")	100	100	Property investment holding.
Naditech Utilities Sdn. Bhd. ("NTU")	60	60	Operation of a district cooling system including thermal energy storage tank and related facilities for the supply of chilled water.
Nadi Cergas Management Services Sdn. Bhd. ("NCMS")	100	100	Provision of management and corporate services.
Nadi Cergas Development Sdn. Bhd. ("NCD")	70	70	Property development.
Subsidiaries of NCSB			
Sasaran Etika Sdn. Bhd. ("SESB")	100	100	Concessionaire for building construction and provision of facility management services for student hostels.
Naluri Etika Sdn. Bhd. ("NESB")	100	100	Concessionaire for building construction and provision of facility management services for student hostels.
Subsidiaries of NCD			
Ringgit Muhibbah Sdn. Bhd. ("RMSB")	67	67	Property investment holding and property development.
Subsidiaries of NTU			
Naditech Power Sdn. Bhd. ("NTP")	57	57	Dormant and yet to commence the business of electricity distribution.
Naditech Energy Sdn. Bhd. ("NTE")	57	57	Dormant and yet to commence business of district cooling system for the supply of chilled water.
Subsidiary of NTP			
Naditech Icon Sdn. Bhd. ("NTI")	57	57	Dormant

(a) In the previous financial year, the Company had acquired 100% equity interests in NCSB for a total purchase consideration of RM95,444,000 which was satisfied entirely by the issuance of 613,000,000 new shares as disclosed in Note 14 to the financial statements.

(b) Subsequent to the above acquisition, NCSB had carried out a distribution of its directly-owned subsidiaries, namely NCH, NTU, NCMS and NCD by way of a dividend-in-specie at cost to the Company. Following the completion of the distribution, these subsidiaries became direct subsidiaries of the Company.

8. INVESTMENTS IN SUBSIDIARIES (Continued)

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

	Effective Equity Interest		Group	
	2018 %	2017 %	31.12.2018 RM'000	31.12.2017 RM'000
Naditech Utilities Sdn. Bhd.	40	40	4,689	4,640
Other individually immaterial subsidiaries			(370)	(523)
			4,319	4,117

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

	Naditech Utilities Sdn. Bhd.	
	31.12.2018 RM'000	31.12.2017 RM'000
At 31 December		
Non-current assets	4,651	5,564
Current assets	8,217	6,736
Non-current liabilities	(322)	(483)
Current liabilities	(824)	(216)
Net assets	11,722	11,601
Financial year ended 31 December		
Revenue	4,174	4,075
Profit after taxation/Total comprehensive income for the financial year	363	1,982
Total comprehensive income attributable to non-controlling interests	145	793
Net cash from operating activities	495	2,362
Net cash for investing activities	(3,702)	(974)
Net cash for financing activities	(29)	(29)

9. INVESTMENT IN AN ASSOCIATE

	Group
	31.12.2017 RM'000
Unquoted shares, at cost	3,134
Share of post-acquisition profits	-
	3,134
Disposal during the financial year	(3,134)
	-

The details of the associate, which is incorporated in Malaysia, are as follows:-

Name of Associate	Effective Equity Interest 2018 %	Effective Equity Interest 2017 %	Principal Activities
Idolite Corporation Sdn Bhd ('ICSB')	-	-	Property development.

In the previous financial year, the Group had disposed of its entire 40% equity interest in ICSB for a total sale consideration of RM3,134,000.

Upon completion of the disposal on 20 September 2017, ICSB ceased to be an associated company.

10. TRADE RECEIVABLES

The amounts recognised in the statements of financial position are analysed as follows:-

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
<u>Non-current</u>		
Concession services receivables	591,814	619,517
Trade receivables	-	-
Allowance for impairment losses	(1,939)	-
	589,875	619,517
<u>Current</u>		
Concession services receivables	31,914	34,498
Trade receivables	46,380	23,012
Allowance for impairment losses	(1,479)	-
	76,815	57,510
	666,690	677,027
Allowance for impairment losses:-		
At 1 January:		
- As previously reported	-	-
- Effects on adoption of MFRS 9	5,013	-
- Amount reported under MFRS 9 (2017 - MFRS 139)	5,013	-
Addition during the financial year	1,100	-
Reversal during the financial year	(2,695)	-
At 31 December	3,418	-

(i) The Group's normal trade credit terms range from 30 to 90 (31.12.2017 - 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

10. TRADE RECEIVABLES (Continued)

(ii) Included in trade receivables of the Group representing financial assets from the concession arrangement for the IIUM and UTeM projects as follows:-

	Group	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Gross trade receivables:		
- IIUM Project	329,237	346,552
- UTeM Project	292,264	303,673
	621,501	650,225
Less: Allowance for impairment losses		
- IIUM Project	(1,079)	-
- UTeM Project	(957)	-
	(2,036)	-
Net trade receivables		
- IIUM Project	328,158	346,552
- UTeM Project	291,307	303,673
	619,465	650,225

The amount comprises the fair value of the consideration receivable for the completion of the construction. The repayment is in the form of availability charges from the concession arrangements.

(iii) Included in trade receivables is an amount of RM17,298,000 (2017 - RM6,926,000) owing by a related party in which a director of a subsidiary and a person connected to a director of the Company have substantial financial interests.

Concession Agreement ("CA")

(a) In 25 October 2011, the subsidiary, Sasaran Etika Sdn Bhd has executed a CA with the Government of Malaysia and International Islamic University Malaysia ("IIUM") for the grant to the subsidiary of the right and authority to carry out the planning, design, development, construction, landscaping, equipping, installation, completion, testing and commissioning and the maintenance of the buildings, structures, facilities and infrastructure of IIUM Kuantan Campus and to carry out the services and works specifications relating to the maintenance services of the facilities and infrastructure (collectively referred to as the "Concession").

The provision of asset management services commences upon issuance of the Certificate of Acceptance confirming acceptance of the availability of the facilities and infrastructure, and ceases on the Expiry Date ("Maintenance Period").

The principal terms of the CA are as follows:

(i) The Concession period shall be for a period of twenty two (22) years and six (6) months ("Concession period") commencing from the commencement date of construction or the date all conditions precedent for the CA have been met whichever is the later ("Commencement Date"), and ending on the sixth (6th) month following the twenty second (22nd) anniversary of the Commencement Date ("Expiry Date").

(ii) The maintenance service will commence upon the issuance of Certificate of Acceptance by IIUM and expire on the Expiry Date ("Maintenance Period"). IIUM shall pay the Group throughout the Maintenance Period the following charges:-

(a) The sub-lease rental for the availability of the facilities and infrastructure ("Availability Charges"); and

(b) The asset management services charges ("Maintenance Charges") for the Asset Management Services by way of monthly payments in arrears.

10. TRADE RECEIVABLES (Continued)

Concession Agreement ("CA") (Continued)

(b) On 5 September 2014, the subsidiary, Naluri Etika Sdn Bhd has executed a CA with the Government of Malaysia and University Teknikal Malaysia Melaka ("UTeM") for the grant to the subsidiary of the right and authority to carry out the design, build, construct, develop and complete hostels for 5,000 UTeM students in Malacca and to carry the services and works specifications relating to the maintenance services of the facilities and infrastructure (collectively referred to as the "Concession").

The provision of asset management services commences upon issuance of the Certificate of Acceptance confirming acceptance of the availability of the facilities and infrastructure, and ceases on the Expiry Date ("Maintenance Period").

The principal terms of the CA are as follows:

(i) The Concession period shall be for a period of twenty two (22) years and six (6) months ("Concession period") commencing from the commencement date of construction or the date all conditions precedent for the CA have been met whichever is the later ("Commencement Date"), and ending on the sixth (6th) month following the twenty second (22nd) anniversary of the Commencement Date ("Expiry Date").

(ii) The maintenance service will commence upon the issuance of Certificate of Acceptance by UTeM and expire on the Expiry Date ("Maintenance Period"). UTeM shall pay the Group throughout the Maintenance Period the following charges:-

(a) The sub-lease rental for the availability of the facilities and infrastructure ("Availability Charges"); and

(b) The asset management services charges ("Maintenance Charges") for the Asset Management Services by way of monthly payments in arrears.

11. CONTRACT ASSETS

Net carrying amount of contract assets is analysed as follows:-

	Group	
	31.12.2018 RM'000	**31.12.2017 RM'000** (Restated)
Contract assets relating to construction contracts	57,711	29,457
Contract assets relating to property development activities	5,655	-
Contract liabilities relating to construction contracts	(30,386)	(23,589)
	32,980	5,868
Allowance for impairment losses	-	-
	32,980	5,868
Allowance for impairment losses:-		
At 1 January:		
- As previously reported	-	-
- Effects on adoption of MFRS 9	7	-
- Amount reported under MFRS 9 (2017 - MFRS 139)	7	-
Reversal during the financial year	(7)	-
At 31 December	-	-

(a) The contract assets primarily relate to the Group's right to consideration for construction work completed on construction contracts but not yet billed as at the reporting date. This balance will be billed progressively in the future upon the fulfillment of contractual milestones.

(b) The contract assets represent the timing differences in revenue recognition and the milestone billings in respect of the property development activities.

11. CONTRACT ASSETS (Continued)

(c) The significant changes to contract assets during the financial year:-

	Group	
	1.1.2018 to 31.12.2018 RM'000	1.1.2017 to 31.12.2017 RM'000
Transfer to trade receivables	251,287	110,392
Revenue recognised on performance obligation satisfied during the financial year	280,112	197,211

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000
Other receivables	9,215	8,298	-	-
Allowance for impairment losses	(5,009)	-	-	-
	4,206	8,298	-	-
Deposits	4,508	4,948	-	-
Prepayments	3,124	7,864	2,051	2,201
	11,838	21,110	2,051	2,201

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Allowance for impairment losses:-		
At 1 January		
- As previously reported	-	-
- Effects on adoption of MFRS 9	1,911	-
Amount reported under MFRS 9 (2017 - MFRS 139)	1,911	-
- Addition during the financial year	3,291	-
- Reversal during the financial year	(193)	-
At 31 December	5,009	-

(a) Included in other receivables of the Group are the following items:-

(i) A total project expenditures of RM Nil (2017 - RM5,000,000) for the purpose of securing a contract was paid to three (3) consultants which was refundable upon the revocation of the consultancy agreement; and

(ii) Project billings receivable of RM2,294,000 (2017 - RM700,000) is to be reimbursed from a contract customer after the Group has completed the construction project.

(b) Included in deposits was an amount of RM3,414,000 relating to the purchase cost of development lands in the previous financial year.

(c) Included in prepayments was an amount of RM5,619,000 relating to the preliminary costs incurred on a development project in the previous financial year.

(d) Included in prepayments of the Group and of the Company is an amount of RM1,695,000 (2017 - RM1,844,000) being expenses incurred for the issuance of new shares in conjunction with the Company's proposed listing on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). It will be expensed off to profit or loss upon the listing.

13. FIXED DEPOSITS WITH LICENSED BANKS

(a) The fixed deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates ranging from 1.88% to 4.25% (2017 - 1.88% to 3.45%) per annum. The fixed deposits have maturity periods ranging from 1 to 12 (2017 - 1 to 12) months.

(b) Included in the fixed deposits with licensed banks of the Group at the end of the reporting period was an amount of RM15,088,000 (2017 - RM9,152,000) which has been pledged to the licensed banks as security for banking facilities granted to the Group as disclosed in Notes 16, 22 and 23 to the financial statements.

14. SHARE CAPITAL

	Group/Company			
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Number of shares'000		RM'000	RM'000
Issued and Fully Paid-Up				
Ordinary Shares				
At 1 January 2018/17 July 2017				
(Date of incorporation)	613,000	#	95,444	#
Issuance of new shares for cash	-	#	-	#
Issuance of new shares for acquisition of				
a subsidiary	-	613,000	-	95,444
At 31 December	613,000	613,000	95,444	95,444

Amount below RM1,000

(i) In the previous financial year, the Company increased its issued and paid-up share capital from RM2 to RM95,444,000 by the creation of 8 new ordinary shares amounting to RM8 and the allotment of 613,000,000 new ordinary shares amounting to RM95,444,000 as full payment for the acquisition of Nadi Cergas Sdn. Bhd. The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

(ii) The holders of ordinary shares (except treasury 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.

15. HIRE PURCHASE PAYABLES (SECURED)

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Minimum hire purchase payments:		
- not later than one year	569	570
- later than one year and not later than five years	1,011	646
	1,580	1,216
Less: Future finance charges	(138)	(91)
Present value of hire purchase payables	1,442	1,125
Analysed by:-	505	525
Current liabilities	937	600
Non-current liabilities	1,442	1,125

15. HIRE PURCHASE PAYABLES (SECURED) (Continued)

(a) The hire purchase payables of the Group are secured by the Group's motor vehicles under finance leases as disclosed in Note 6(a) to the financial statements.

(b) The hire purchase payables of the Group at the end of the reporting period bore effective interest rates ranging from 4.57% to 6.82% (2017 - 4.46% to 6.82%). The interest rates are fixed at the inception of the hire purchase arrangements.

16. TERM LOANS (SECURED)

	Group	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Current liabilities	13,371	13,770
Non-current liabilities	155,730	167,899
	169,101	181,669

The term loans are analysed as follows:-

	Group	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Term loan 1	2,775	3,208
Term loan 2	2,734	3,160
Term loan 3	128,495	135,700
Term loan 4	-	2,586
Term loan 5	7,926	8,686
Term loan 6	6,295	6,946
Term loan 7	3,494	3,856
Term loan 8	8,382	9,250
Term loan 9	1,819	2,008
Term loan 10	5,681	6,269
Term loan 11	1,500	-
	169,101	181,669

The effective interest rates of term loans of the Group as at end of the reporting period are as follows:-

(a) Term loans 1 and 2 bearing interest rate at cost of fund + 1.75% per annum.

(b) The effective profit rate structure of term loans 3 and 4 is disclosed below:-

Year	**Effective Profit Rate (per annum)**
1st to 5th	Cost of Fund + 1.15%
6th to 10th	Cost of Fund + 0.95%
11th to 15th	Cost of Fund + 0.75%

(c) Term loan 5 bearing effective profit rate at base financing rate - 1.00% per annum.

(d) Term loans 6, 7, 8, 9 and 10 bearing interest rate at base lending rate per annum.

(e) Term loan 11 bearing profit rate at Islamic base rate per annum.

16. TERM LOANS (SECURED) (Continued)

Term loans 1 and 2 are secured by:-

(i) a legal charge over a subsidiary's properties;

(ii) a corporate guarantee executed by a subsidiary;

(iii) a joint and several guarantee of certain directors of a subsidiary and third parties; and

(iv) an assignment of rental proceeds.

Term loans 3 and 4 are represented by an Islamic Financing Facility under Tawarruq arrangement ("TWF") awarded by Bank Pembangunan Malaysia Berhad to a subsidiary to part finance the construction costs and costs relating to the project of "The design, development, construction and the maintenance of student hostels for Universiti Teknikal Malaysia" ("UTeM") as well as incidental costs/TWF costs relating to UTeM Project. These term loans are secured by:-

(i) a debenture on all present and future assets of a subsidiary;

(ii) assignments of all rights, title, interest and benefits in respect of availability charges and maintenance charges of the Concession Agreement between Government and a subsidiary;

(iii) a corporate guarantee executed by a subsidiary;

(iv) an assignment of all the present and future rights, title, interest and benefits of a subsidiary under construction contract including performance guarantee sum/retention sum given favour of a subsidiary and all liquidated damages payable to subsidiary arising from the project;

(v) an assignment over designated accounts;

(vi) an irrevocable letter of undertaking by a subsidiary;

(vii) a Deed of Undertaking by a subsidiary to do all acts or things as may be necessary to complete the project in accordance with terms of the concession agreement and to provide cash injection in the event of cost overrun during construction period and cash flow shortfall during concession period; and

(viii) a facility agreement.

Term loan 5 is an Islamic Facility based on the Shariah Principle of Murabahah and secured by:-

(i) a legal charge over the freehold land of a subsidiary; and

(ii) a joint and several guarantee of certain directors of the Company and third parties.

Term loans 6, 7, 8, 9 and 10 are secured by:-

(i) an 'All Monies' Facility Agreement to be stamped ad valorem for RM30,000,000 in total as the principal instrument;

(ii) an 'All Monies' first party first legal charge over leasehold lands together with the building erected or to be erected thereon, registered in the name of a subsidiary as instrument;

(iii) a corporate guarantee executed by subsidiaries;

(iv) a joint and several guarantee of a director of the Company and third parties;

(v) a letter of undertaking by a subsidiary to transfer the monthly excess funds from a concession agreement to a designated account; and

(vi) an assignment over designated accounts.

16. TERM LOANS (SECURED) (Continued)

Term loan 11 is represented by an Islamic Financing Facility under Tawarruq arrangement ("TWF") awarded by RHB Islamic Bank Berhad to a subsidiary to part finance the construction costs relating to a development project. The term loan is secured by:-

(i) an 'All Monies' Facility Agreement to be stamped for RM35,000,000 in total as the principal instrument;

(ii) an 'All Monies' deed of assignment over a piece of development land under the name of a Asean Football Federation and third party first legal charge to be created upon issuance of the individual/strata tittle;

(iii) a corporate guarantee executed by the Company and a subsidiary;

(iv) a joint and several guarantee of certain directors of the Company and a subsidiary and a third party; and

(v) specific debenture over a development project.

17. BONDS

	Group	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Current liabilities	20,000	20,000
Non-current liabilities	160,000	180,000
	180,000	200,000

Details of the secured fixed rate serial fixed rate bonds are as follow:-

Serial	Effective Interest rate (per annum)	Maturity Period	**31.12.2018 RM'000**	**31.12.2017 RM'000**
2	4.30%	24 April 2018	-	20,000
3	4.35%	24 April 2019	20,000	20,000
4	4.45%	24 April 2020	20,000	20,000
5	4.55%	24 April 2021	20,000	20,000
6	4.60%	24 April 2022	20,000	20,000
7	4.75%	24 April 2023	20,000	20,000
8	4.90%	24 April 2024	20,000	20,000
9	5.00%	24 April 2025	20,000	20,000
10	5.10%	24 April 2026	20,000	20,000
11	5.20%	24 April 2027	20,000	20,000
			180,000	200,000

The bonds are represented by a fixed rate serial bonds of RM220,000,000 in aggregate nominal value and made up from subscribers. The entire bonds were categoried into 11 tranches, with maturity periods of up to 11 years commencing 2017 to 2027.

The proceeds raised from the bonds are utilised by the Group to finance the construction of building and infrastructure used for accommodation for approximately 5,000 students for International Islamic University Malaysia ("IIUM") Kuantan Campus.

The bonds are governed by Bank Negara Malaysia and Securities Commission, and managed by trustees. A licensed rating agency has given the bonds a rating of AA1 and these bonds are not listed on any exchange.

The coupon rates range from 4.20% to 5.20% per annum and the coupon interest are payable semi-annually on each series of the bonds.

17. BONDS (Continued)

The bonds are secured against the following:-

(i) a first ranking fixed charge over all amounts due to the Debts Services Reserve Account ("DSRA") and collection account ("CA");

(ii) an assignment of the proceeds rights, interest, title and benefits in and to the performance bond/guarantee (if any) in respect of IIUM Project and all proceeds arising therefrom to the extent permitted by the prevailing laws;

(iii) an assignment of the proceeds rights, interest, title and benefits in respect of the rental proceeds under the Concession Agreement in respect of IIUM Project with notice of assignment to be acknowledged by IIUM and Government of Malaysia;

(iv) an all monies debenture in such form as the Bank may require and power of attorney created over a subsidiary's present and future assets and properties;

(v) a priority assignment of insurance policies, if any, required to be undertaken under IIUM Project with the bank and trustee designated as loss payee, to the extent permitted by prevailing law;

(vi) a Letter of Subordination executed by a subsidiary, subordinating all loans and advances granted by its directors and/or shareholders;

(vii) a corporate guarantee executed by a subsidiary;

(viii) a Power of Attorney in favour of the bank to appoint a contract at the bank's discretion to proceed and complete IIUM Project in the event of default in any repayment due to the bank and/or unable to complete the project for any reason whatsoever;

(ix) a second legal charge over 30 months coupon payments to be collected from the Bonds proceeds; and

(x) a guarantee executed by certain directors of a subsidiary and third parties.

18. DEFERRED TAX LIABILITIES

	Group	
	31.12.2018 RM'000	**31.12.2017 RM'000**
At 1 January	77,145	68,557
Recognised in profit or loss (Note 28)	1,700	8,588
At 31 December	78,845	77,145

The deferred tax consists of the tax effects of the following items:-

Deferred tax assets:-		
Unabsorbed capital allowances	(2,233)	(5,667)
Provisions	(914)	-
	(3,147)	(5,667)
Deferred tax liabilities:-		
Trade receivables	81,527	82,302
Property, plant and equipment	465	510
	81,992	82,812

19. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 60 (2017 - 30 to 60) days.

20. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Other payables	3,034	1,064	1,336	20
Accruals	6,121	4,261	178	47
	9,155	5,325	1,514	67

21. AMOUNT OWING TO A SUBSIDIARY

The amount owing to a subsidiary is non-trade in nature, unsecured, interest-free, and repayable on demand. The amount is to be settled in cash.

22. BANK OVERDRAFTS (SECURED)

(a) The bank overdrafts of the Group are secured by a deed of assignment over a piece of development land registered under a third party's name, legal charge to be created upon the issuance of the individual/strata title, and fixed deposits with a licensed bank as disclosed in Notes 7 and 13 to the financial statements.

(b) The bank overdrafts of the Group at the end of the reporting period bore floating profit rates ranging from 7.10% to 8.14% per annum.

23. BILL FINANCING (SECURED)

(a) The bill financing of the Group is secured by a deed of assignment of benefits of contract awarder and the subsidiary in respect of all contract proceeds received from the contract financed by the bank in favour of the bank.

(b) The bill financing of the Group at the end of the reporting period bore a floating profit rate of 8.10% per annum.

24. REVENUE

Revenue from contracts with customers is disaggregated by major products/services lines and timing of revenue recognition as below:-

	Group	
	1.1.2018 to 31.12.2018 RM'000	1.1.2017 to 31.12.2017 RM'000
Major services lines		
Construction contracts	270,269	197,211
Rendering of facilities management services	15,806	11,225
Property development activities	9,843	-
Rendering of utility services	4,174	4,075
	300,092	212,511
Contracts with Customers		
Services transferred:		
- Over time	300,092	212,511

24. REVENUE (Continued)

The transaction price allocated to the remaining performance obligations that are unsatisfied or partially satisfied as at the end of the reporting period are summarised below:-

	Group	
	1.1.2018 to 31.12.2018 RM'000	1.1.2017 to 31.12.2017 RM'000
Aggregate amount of transaction price allocated to remaining contracts:-		
Construction revenue	608,744	583,370
Property development revenue	183,740	-
	792,484	583,370
Construction revenue:-		
Within 1 year	305,797	276,054
2 - 5 years	302,947	307,316
	608,744	583,370
Property development revenue:-		
Within 1 year	44,310	-
2 - 5 years	139,430	-
	183,740	-

25. FINANCE COSTS

	Group	
	1.1.2018 to 31.12.2018 RM'000	1.1.2017 to 31.12.2017 RM'000
Interest expenses:-		
Advances from directors and related party	-	600
Bank overdrafts	116	84
Bonds	8,849	9,871
Hire purchase	67	56
Term loans	10,048	6,281
	19,080	16,892

26. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS

	Group	
	1.1.2018 to 31.12.2018 RM'000	1.1.2017 to 31.12.2017 RM'000
Impairment losses during the financial year:		
- Additions under MFRS 9 (Notes 10 and 12)	4,391	-
Reversal of impairment losses (Notes 10, 11 and 12)	(3,128)	-
	1,263	-

27. PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	1.1.2018 to 31.12.2018 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2018 to 31.12.2018 RM'000	17.7.2017 (Date of Incorporation) to 31.12.2017 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Auditors' remuneration:				
- current year/period	124	120	30	2
- underprovision in the previous financial year/period	31	12	29	-
- non-audit fees:				
- auditors of the Company	499	49	459	-
Depreciation of property, plant and equipment	2,178	1,977	-	-
Directors' remuneration (Note 32(a))	2,544	2,350	196	45
Listing expenses (excluded non-audit fees)	1,988	150	1,918	-
Property, plant and equipment written off	20	-	-	-
Rental of premises	63	35	-	-
Staff costs (including other key management personnel as disclosed in Note 32(b))				
- short-term employee benefits	15,323	12,298	-	-
- defined contribution benefits	1,728	1,374	-	-
- others	474	153	-	-
Accretion of fair value on non-current trade receivables	(31,057)	(24,589)	-	-
Dividend income	-	-	-	(1,482)
Gain on disposal of property, plant and equipment	(123)	(20)	-	-
Interest income	(2,093)	(1,369)	-	-
Rental income	(167)	(249)	-	-

28. INCOME TAX EXPENSE

	Group		Company	
	1.1.2018 to 31.12.2018 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2018 to 31.12.2018 RM'000	17.7.2017 (Date of Incorporation) to 31.12.2017 RM'000
Current tax expense:				
- for the financial year	11,966	8,702	-	-
- overprovision in the previous financial year	(823)	(522)	-	-
	11,143	8,180	-	-
Deferred tax (Note 18):				
- origination and reversal of temporary differences	875	8,809	-	-
- under/(over)provision in the previous financial year	825	(221)	-	-
	1,700	8,588	-	-
	12,843	16,768	-	-

28. INCOME TAX EXPENSE (Continued)

A reconciliation of income tax expense applicable to the profit/(loss) 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:-

	Group		Company	
	1.1.2018 to 31.12.2018 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2018 to 31.12.2018 RM'000	17.7.2017 (Date of Incorporation) to 31.12.2017 RM'000
Profit/(Loss) before taxation	45,635	66,957	(2,663)	1,408
Tax at Malaysian statutory tax rate of 24% (2017 - 24%)	10,952	16,070	(639)	338
Tax effects of:-				
Non-deductible expenses	2,000	2,171	3	-
Non-taxable income	(657)	(283)	-	(338)
Deferred tax assets not recognised for the financial year	1,410	60	636	-
Tax-exempt income	(329)	(507)	-	-
Exemption on increment of chargeable income	(535)	-	-	-
(Over)/Underprovision in the previous financial year:				
- Current tax	(823)	(522)	-	-
- Deferred taxation	825	(221)	-	-
Income tax expense of the financial year/period	12,843	16,768	-	-

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. The Group has accounted for the reduction in the tax rate in the current financial year, based on the percentage of increase in chargeable income of its subsidiaries.

29. EARNINGS PER SHARE

	Group	
	31.12.2018	31.12.2017
Profit attributable to owners of the Company (RM'000)	32,590	49,760
Weighted average number of ordinary shares in issue ('000)	613,000	613,000
Basic earnings per share	5.32	8.12

The Company has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

30. DIVIDENDS

	Group
	31.12.2017 RM'000
Interim dividend of RM0.20 per ordinary share in respect of the current financial year	3,000

31. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	Group	
	1.1.2018 to 31.12.2018 RM'000	1.1.2017 to 31.12.2017 RM'000
Cost of property, plant and equipment purchased (Note 6)	5,597	3,519
Amount financed through hire purchase (Note (b) below)	(940)	(605)
Cash disbursed for purchase of property, plant and equipment	4,657	2,914

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

	Term loans RM'000	Hire purchase RM'000	Bonds RM'000	Bill financing RM'000	Total RM'000
Group					
2018					
At 1 January	181,669	1,125	200,000	4,059	386,853
Changes in Financing Cash Flows					
Proceeds from drawdown	1,500	-	-	21,691	23,191
Repayment of borrowing principal	(14,068)	(623)	(20,000)	(19,860)	(54,551)
Repayment of borrowing interests	(10,048)	(67)	(8,849)	-	(18,964)
	(22,616)	(690)	(28,849)	1,831	(50,324)
Non-cash Changes					
Finance charges recognised in profit or loss	10,048	67	8,849	-	18,964
New hire purchase (Note (a) above)	-	940	-	-	940
	10,048	1,007	8,849	-	19,904
At 31 December	169,101	1,442	180,000	5,890	356,433
2017					
At 1 January	105,362	1,160	220,000	-	326,522
Changes in Financing Cash Flows					
Proceeds from drawdown	79,548	-	-	25,133	104,681
Repayment of borrowing principal	(3,241)	(640)	(20,000)	(21,074)	(44,955)
Repayment of borrowing interests	(6,281)	(56)	(9,871)	-	(16,208)
	70,026	(696)	(29,871)	4,059	43,518
Non-cash Changes					
Finance charges recognised in profit or loss	6,281	56	9,871	-	16,208
New hire purchase (Note (a) above)	-	605	-	-	605
	6,281	661	9,871	-	16,813
At 31 December	181,669	1,125	200,000	4,059	386,853

31. CASH FLOW INFORMATION (Continued)

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

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Fixed deposits with licensed banks	50,519	44,222	-	-
Cash and bank balances	23,187	29,844	68	#
Bank overdrafts	(6,783)	-	-	-
	66,923	74,066	68	#
Less: Fixed deposits pledged to licensed banks and with tenure more than 3 months	(43,293)	(29,817)	-	-
	23,630	44,249	68	#

- Amount below RM1,000

32. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group.

The key management personnel compensation during the financial year/period are as follows:-

	Group		Company	
	1.1.2018 to 31.12.2018 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2018 to 31.12.2018 RM'000	17.7.2017 (Date of Incorporation) to 31.12.2017 RM'000
a) Directors				
Directors of the Company				
Short-term employee benefits:				
- fees	182	1,765	182	45
- salaries, bonuses and other benefits	2,037	518	14	-
	2,219	2,283	196	45
Defined contribution benefits	-	62	-	-
	2,219	2,345	196	45
Directors of the Subsidiaries				
Short-term employee benefits:				
- fees	30	5	-	-
- salaries, bonuses and other benefits	263	-	-	-
	293	5	-	-
Defined contribution benefits	32	-	-	-
	325	5	-	-
Total directors' remuneration (Note 27)	2,544	2,350	196	45
b) Other Key Management Personnel				
Short-term employee benefits	942	920	-	-
Defined contribution benefits	111	107	-	-
Total compensation for other key management personnel	1,053	1,027	-	-

33. 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.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

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/period:-

		Group		Company	
		1.1.2018 to 31.12.2018 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2018 to 31.12.2018 RM'000	17.7.2017 (Date of Incorporation) to 31.12.2017 RM'000
Subsidiaries					
- Dividend income		-	-	-	1,482
Director					
- Interest expense		-	(500)	-	-
Related Parties					
- Progress billing income	(a)	74,303	64,402	-	-
- Interest paid/payable	(b)	-	(100)	-	-
- Consideration sum	(c)	(3)	(286)	-	-

(a) Entity in which a director of a subsidiary and a person connected to a director of the Company have substantial financial interests.

(b) Entity in which a shareholder cum director of certain subsidiaries has substantial financial interest.

(c) Entity in which a director of the Company and a director of a subsidiary have substantial financial interests.

34. OPERATING SEGMENTS

34.1 BUSINESS SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Board of Directors as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purpose, the Group is organised into business units based on their services provided. Accordingly, the Group is organised into 4 main reportable segments as follows:-

- Construction segment - involved in the provision of conceptual design and advisory, design development, liaison with relevant authorities for approvals and the provision of complete services including design, coordination and obtaining authorities approvals and underwriting complete cost and financing.

- Concession and facility management segment - undertaking and providing various concession and asset management services involving comprehensive maintenance and schedule refurbishment and replacement of assets.

- Utility segment - involved in the setting up of thermal energy storage plant which forms part of a district cooling system where thermal energy is stored in a storage tank during low-energy demand hours and discharged for usage during high energy demand hours resulting in energy conservation and cost efficiency for the cooling system.

- Property development segment - involved in the development of residential, commercial and industrial properties.

- Other segments - properties investment and management services.

(a) The Group Managing Director assesses the performance of the reportable segments based on their profit before interest expense and taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Borrowings and investment-related activities are managed on a group basis by the central treasury function and are not allocated to reportable segments.

(b) Each reportable segment assets is measured based on all assets of the segment other than investments in associates and tax-related assets.

(c) Each reportable segment liabilities is measured based on all liabilities of the segment other than borrowings and tax-related liabilities.

(d) Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the reportable segments are presented under unallocated items. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

Transactions between reportable segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation.

34. OPERATING SEGMENTS (Continued)

34.1 BUSINESS SEGMENTS (Continued)

	Construction Segment RM'000	Concession and Facility Management Segment RM'000	Utility Segment RM'000	Property Development Segment RM'000	Other Segments RM'000	Consolidation Adjustments RM'000	Total RM'000
Group							
2018							
Revenue							
External revenue	270,269	15,806	4,174	9,843	-	-	300,092
Inter-segment revenue	-	-	-	-	8,520	(8,520)	-
	270,269	15,806	4,174	9,843	8,520	(8,520)	300,092
Results							
Segment results	32,302	3,660	1,415	1,060	(2,815)	(719)	34,903
Accretion of fair value on non-current trade receivables	-	31,057	-	-	-	-	31,057
Impairment losses:							
- trade receivables	(586)	(4)	(510)	-	-	-	(1,100)
- other receivables	(3,291)	-	-	-	-	-	(3,291)
Depreciation of property, plant and equipment	(1,231)	(330)	(380)	(3)	-	(234)	(2,178)
Gain on disposal of property, plant and equipment	123	-	-	-	-	-	123
Interest income	616	1,330	84	8	55	-	2,093
Interest expense	(159)	(17,796)	(3)	(31)	(2,344)	1,253	(19,080)
Property, plant and equipment written off	(20)	-	-	-	-	-	(20)
Reversal of impairment losses	261	2,706	141	2	18	-	3,128
Profit/(Loss) before taxation	28,015	20,623	747	1,036	(5,086)	300	45,635
Income tax (expense)/benefit	(8,799)	(3,807)	17	(262)	8	-	(12,843)
Profit/(Loss) after taxation	19,216	16,816	764	774	(5,078)	300	32,792

34. OPERATING SEGMENTS (Continued)

34.1 BUSINESS SEGMENTS (Continued)

	Construction Segment RM'000	Concession and Facility Management Segment RM'000	Utility Segment RM'000	Property Development Segment RM'000	Other Segments RM'000	Consolidation Adjustments RM'000	Total RM'000
Group							
2018							
Assets							
Segment assets	139,179	665,716	12,430	21,793	73,625	(3,746)	908,997
Unallocated asset:							
- current tax assets							239
Consolidated total assets							909,236
Additions to non-current assets other than financial instruments:							
- property, plant and equipment	1,557	5	4,005	30	-	-	5,597
- properties held for future development	1,350	-	-	-	3,111	-	4,461
Liabilities							
Segment liabilities	88,425	312,142	1,338	9,356	34,876	(100)	446,037
Unallocated liabilities:							
- deferred tax liabilities							78,845
- current tax liabilities							1,289
Consolidated total liabilities							526,171

34. OPERATING SEGMENTS (Continued)

34.1 BUSINESS SEGMENTS (Continued)

	Construction Segment RM'000	Concession and Facility Management Segment RM'000	Utility Segment RM'000	Property Development Segment RM'000	Other Segments RM'000	Consolidation Adjustments RM'000	Total RM'000
Group							
2017							
Revenue							
External revenue	197,211	11,225	4,075	-	-	-	212,511
Inter-segment revenue	-	-	-	-	7,920	(7,920)	-
	197,211	11,225	4,075	-	7,920	(7,920)	212,511
Results							
Segment results	57,588	1,232	1,793	(179)	1,326	(1,912)	59,848
Accretion of fair value on non-current trade receivables	-	24,589	-	-	-	-	24,589
Depreciation of property, plant and equipment	(1,116)	(246)	(381)	-	-	(234)	(1,977)
Gain on disposal of property, plant and equipment	20	-	-	-	-	-	20
Interest income	1,337	905	91	-	121	(1,085)	1,369
Interest expense	(736)	(14,580)	(3)	-	(2,304)	731	(16,892)
Profit/(Loss) before taxation	57,093	11,900	1,500	(179)	(857)	(2,500)	66,957
Income tax expense	(13,845)	(2,848)	(22)	-	(53)	-	(16,768)
Profit/(Loss) after taxation	43,248	9,052	1,478	(179)	(910)	(2,500)	50,189

34. OPERATING SEGMENTS (Continued)

34.1 BUSINESS SEGMENTS (Continued)

	Construction Segment RM'000	Concession and Facility Management Segment RM'000	Utility Segment RM'000	Property Development Segment RM'000	Other Segments RM'000	Consolidation Adjustments RM'000	Total RM'000
Group							
2017							
Assets							
Segment assets	89,476	697,030	10,837	11,976	73,158	(5,940)	876,537
Unallocated asset:							
- current tax assets							665
Consolidated total assets							877,202
Additions to non-current assets other than financial instruments:							
- property, plant and equipment	1,598	1,667	254	-	-	-	3,519
- properties held for future development	3,222	-	-	1,313	-	(354)	4,181
Liabilities							
Segment liabilities	62,385	342,711	237	31	36,616	106	442,086
Unallocated liabilities:							
- deferred tax liabilities							77,145
- current tax liabilities							534
Consolidated total liabilities							519,765

34. OPERATING SEGMENTS (Continued)

34.2 GEOGRAPHICAL INFORMATION

The Group operates predominantly in Malaysia. Accordingly, the information by geographical segment is not presented.

34.3 MAJOR CUSTOMERS

The following are major customers with revenue equal to or more than 10% of the Group's total revenue.

	Group		Segment
	1.1.2018 to 31.12.2018 RM'000	**1.1.2017 to 31.12.2017 RM'000**	
Customer A	11,232	88,573	Construction and Facility Management
Customer B	59,768	59,927	Construction
Customer C	62,245	22,679	Construction
Customer D	82,266	8,087	Construction

35. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (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 financial performance.

35.1 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 does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating borrowings.

The Group's fixed rate receivables and borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither their carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 16, 22 and 23 to the financial statements.

35. FINANCIAL INSTRUMENTS (Continued)

35.1 FINANCIAL RISK MANAGEMENT POLICIES (Continued)

(a) Market Risk (Continued)

(ii) Interest Rate Risk (Continued)

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	Group	
	1.1.2018 to 31.12.2018 RM'000	**1.1.2017 to 31.12.2017 RM'000**
Effects on Profit After Taxation		
Increase of 100 basis points	(1,381)	(1,412)
Decrease of 100 basis points	1,381	1,412

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to price risk.

(b) **Credit Risk**

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other 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, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by 2 customers which constituted approximately 92% of its trade receivables (including related parties) at the end of the reporting period.

(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 statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of financial assets at amortised cost, contract assets are credit impaired.

The gross carrying amounts of those financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite they are still subject to enforcement activities.

35. FINANCIAL INSTRUMENTS (Continued)

35.1 FINANCIAL RISK MANAGEMENT POLICIES (Continued)

(b) Credit Risk (Continued)

(iii) Assessment of Impairment Losses (Continued)

Trade Receivables and Contract Assets

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group considers any receivables having financial difficulty or with significant balances outstanding more than 1 year, are deemed credit impaired.

The expected loss rates are based on the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

For construction contracts, the Group assessed the expected credit loss of each customer individually based on their financial information and past trends of payments as there are only a few customers. All of these customers have low risk of default as they have a strong capacity to meet their debts.

For property development, purchasers are generally financed by loan facilities from banks and therefore, there is minimal exposure to credit risk.

The Group applies the general approach to measuring expected credit losses for the concession services receivables. Generally, the Group considers the concession services receivables have low credit risks. The Group assumes that there is a significant increase in credit risk when the probability of defaulting payments of availability charges and maintenance charges (collectively known as “the Charges”) by the customers deteriorates significantly. As the Group is able to determine the timing of payments of the Charges when they are payable, the Group considers the Charges to be in default when the concession services receivables are not able to pay when demanded. The Group considers the Charges to be credit impaired when the concession services receivables are unlikely to repay the Charges in full.

35. FINANCIAL INSTRUMENTS (Continued)

35.1 FINANCIAL RISK MANAGEMENT POLICIES (Continued)

(b) Credit Risk (Continued)

(iii) Assessment of Impairment Losses (Continued)

Trade Receivables and Contract Assets (Continued)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:-

	Gross Amount RM'000	12-month Loss Allowance RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
Group				
2018				
Current (not past due)	637,362	(2,036)	(48)	635,278
1 to 30 days past due	19,344	-	(276)	19,068
31 to 60 days past due	6,469	-	(633)	5,836
More than 60 but less than a year past due	6,933	-	(425)	6,508
	670,108	(2,036)	(1,382)	666,690
Credit impaired:				
- more than 30 days past due	-	-	-	-
- individually impaired	-	-	-	-
Trade receivables	670,108	(2,036)	(1,382)	666,690
Contract assets	32,980	-	-	32,980
	703,088	(2,036)	(1,382)	699,670

In the last financial year, the loss allowance on trade receivables was calculated under MFRS 139. The ageing analysis of trade receivables is as follows:-

	Gross Amount RM'000	Individual Impairment RM'000	Carrying Amount RM'000
Group			
2017			
Not past due	664,436	-	664,436
Past due:			
- less than 3 months	8,994	-	8,994
- 3 to 6 months	29	-	29
- more than 6 months	3,568	-	3,568
	677,027	-	677,027

The identified impairment loss of contract assets was immaterial and hence, it is not provided for.

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Notes 10 and 11 to the financial statements.

35. FINANCIAL INSTRUMENTS (Continued)

35.1 FINANCIAL RISK MANAGEMENT POLICIES (Continued)

(b) Credit Risk (Continued)

(iii) Assessment of Impairment Losses (Continued)

Other Receivables

The Group applies the 3-stage general approach to measuring expected credit losses for the other receivables. Generally, the Group considers the advances to other receivables have low credit risks. The Group assumes that there is a significant increase in credit risk when the probability of securing the contract deteriorates significantly. As the Group is able to determine the timing of payments of the other receivables' advances when they are payable, the Group considers the advances to be in default when the other receivables are not able to pay when demanded. The Group considers the advances to be credit impaired when the other receivables are unlikely to repay the advances in full.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for the other receivables are summarised below:-

	Gross Amount RM'000	12-month Loss Allowance RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
Group				
2018				
Low credit risk	4,215	(9)	-	4,206
Credit impaired	5,000	-	(5,000)	-
	9,215	(9)	(5,000)	4,206

The movements in the loss allowances are disclosed in Note 12 to the financial statements.

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Amount Owing By Subsidiaries

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these loans and advances individually using internal information available.

The Company does not have any subsidiaries' loans and advances and hence, it is not provided for.

Financial Guarantee Contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

35. FINANCIAL INSTRUMENTS (Continued)

35.1 FINANCIAL RISK MANAGEMENT POLICIES (Continued)

(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.

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 payment computed using contractual rates, or if floating, based on the rates at the end of the reporting period):- (Continued)

	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
Group						
2018						
Non-derivative Financial Liabilities						
Hire purchase payables	4.46 - 6.82	1,442	1,580	569	1,011	-
Term loans	5.09 - 5.75	169,101	233,025	22,602	90,409	120,014
Bonds	4.35 - 5.20	180,000	218,297	27,980	102,901	87,416
Bank overdrafts	8.10	6,783	6,783	6,783	-	-
Bill financing	7.10 - 8.40	5,890	5,890	5,890	-	-
Trade payables	-	73,666	73,666	73,666	-	-
Other payables and accruals	-	9,155	9,155	9,155	-	-
		446,037	548,396	146,645	194,321	207,430
2017						
Non-derivative Financial Liabilities						
Hire purchase payables	2.35 - 3.66	1,125	1,216	570	646	-
Term loans	5.09 - 5.75	181,669	256,547	25,258	90,310	140,979
Bonds	4.30 - 5.20	200,000	247,144	28,847	106,546	111,751
Bill financing	6.90 - 8.15	4,059	4,059	4,059	-	-
Trade payables	-	49,908	49,908	49,908	-	-
Other payables and accruals	-	5,325	5,325	5,325	-	-
		442,086	564,199	113,967	197,502	252,730

35. FINANCIAL INSTRUMENTS (Continued)

35.1 FINANCIAL RISK MANAGEMENT POLICIES (Continued)

(c) Liquidity Risk (Continued)

Maturity Analysis (Continued)

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 payment computed using contractual rates, or if floating, based on the rates at the end of the reporting period):- (Continued)

	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000
Company				
2018				
Non-derivative Financial Liabilities				
Other payables and accruals	-	1,514	1,514	1,514
Amount owing to a subsidiary	-	3,342	3,342	3,342
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary	-	-	1,500	1,500
		4,856	6,356	6,356
2017				
Non-derivative Financial Liabilities				
Other payables and accruals	-	67	67	67
Amount owing to a subsidiary	-	2,208	2,208	2,208
		2,275	2,275	2,275

The contractual undiscounted cash flows represent the outstanding credit facilities of a subsidiary at the end of the reporting period. The financial guarantees have not been recognised since their fair value on initial recognition were not material.

35. FINANCIAL INSTRUMENTS (Continued)

35.2 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 its 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 that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interests. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	Group	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Hire purchase payables (Note 15)	1,442	1,125
Term loans (Note 16)	169,101	181,669
Bonds (Note 17)	180,000	200,000
Bank overdrafts (Note 22)	6,783	-
Bill financing (Note 23)	5,890	4,059
	363,216	386,853
Less: Cash and cash equivalents	(23,630)	(44,249)
Net debt	339,586	342,604
Total equity	383,065	357,437
Debt-to-equity ratio	0.89	0.96

There was no change in the Group's approach to capital management during the financial year.

35. FINANCIAL INSTRUMENTS (Continued)

35.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Group		Company	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Financial Assets				
Amortised cost (Applied since 1 January 2018)				
Trade receivables	666,690	N/A	-	N/A
Other receivables and deposits	8,714	N/A	-	N/A
Fixed deposits with licensed banks	50,519	N/A	-	N/A
Cash and bank balances	23,187	N/A	68	N/A
	749,110	N/A	68	N/A
Loans and Receivables Financial Assets (Applied until 31 December 2017)				
Trade receivables	N/A	677,027	N/A	-
Other receivables and deposits	N/A	13,246	N/A	-
Fixed deposits with licensed banks	N/A	44,222	N/A	-
Cash and bank balances	N/A	29,844	N/A	#
	N/A	764,339	N/A	#
Financial Liabilities				
Amortised Cost (Applied since 1 January 2018)				
Hire purchase payables	1,442	N/A	-	N/A
Term loans	169,101	N/A	-	N/A
Bonds	180,000	N/A	-	N/A
Bank overdrafts	6,783	N/A	-	N/A
Bill financing	5,890	N/A	-	N/A
Trade payables	73,666	N/A	-	N/A
Other payables and accruals	9,155	N/A	1,514	N/A
Amount owing to a subsidiary	-	N/A	3,342	N/A
	446,037	N/A	4,856	N/A
Other Financial Liabilities (Applied until 31 December 2017)				
Hire purchase payables	N/A	1,125	N/A	-
Term loans	N/A	181,669	N/A	-
Bonds	N/A	200,000	N/A	-
Bill financing	N/A	4,059	N/A	-
Bank overdrafts	N/A	-	N/A	-
Trade payables	N/A	49,908	N/A	-
Other payables and accruals	N/A	5,325	N/A	67
Amount owing to a subsidiary	N/A	-	N/A	2,208
	N/A	442,086	N/A	2,275

- Amount below RM1,000

35. FINANCIAL INSTRUMENTS (Continued)

35.4 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.

As the Group does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
Group					
2018					
Financial Asset					
Trade receivables	-	666,690	-	666,690	666,690
Financial Liabilities					
Hire purchase payables	-	1,442	-	1,442	1,442
Term loans	-	169,101	-	169,101	169,101
Bonds	-	180,000	-	180,000	180,000
Bank overdrafts	-	6,783	-	6,783	6,783
Bill financing	-	5,890	-	5,890	5,890
2017					
Financial Asset					
Trade receivables	-	677,027	-	677,027	677,027
Financial Liabilities					
Hire purchase payables	-	1,125	-	1,125	1,125
Term loans	-	181,669	-	181,669	181,669
Bonds	-	200,000	-	200,000	200,000
Bill financing	-	4,059	-	4,059	4,059

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 trade receivables are measured at the Malaysian Government 20 years' Quasi Government Bond at the end of the reporting period.

(ii) The fair values of the bonds are estimated based on their indicative market prices as at the end of reporting period.

(iii) The fair values of the Group's term loans, bank overdrafts and bill financing that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

(iv) The fair values of hire purchase payables that carry fixed interest rates 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.

36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Naluri Etika Sdn. Bhd., a wholly-owned subsidiary accepted a Letter Offer of Conversion dated 5 February 2018 to convert the existing conventional term loan facility of RM139,629,000 to the Islamic financing facility under the concept of Tawarruq.

(b) On 19 February 2018, Nadi Cergas Development Sdn. Bhd., a subsidiary of the Company was granted a new Developers' Licence and an Advertising and Sales Permit for the development project of residential service apartments.

(c) On 20 February 2018, the Group has obtained conditional approval from Bursa Malaysia to list the Group on the ACE Market of Bursa Securities.

(d) Nadi Cergas Sdn. Bhd. ("NCSB"), a wholly-owned subsidiary accepted a Letter of Appointment dated 20 February 2018 from Jabatan Kerja Raya Malaysia to build Cardiology Hospital at Serdang.

(e) NCSB accepted a Letter of Appointment dated 14 March 2018 from Majlis Amanah Rakyat to build a campus for Maktab Rendah Sains Mara.

(f) NCSB received a Letter of Termination dated 30 July 2018 from Perumahan Penjawat Awam Malaysia whereby the Government had decided to terminate the PPA1M Alam Damai Development.

37. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On 7 January 2019, NCSB accepted a Letter of Award from Putrajaya Homes Sdn. Bhd. to construct a public residential development.

(b) The listing of and quotation for the Company's entire enlarged issued and paid-up capital of RM42,000,000 comprising 140,000,000 ordinary shares at an issue price of RM0.30 each on the ACE Market of Bursa Securities was completed on 8 January 2019.

38. CHANGES IN ACCOUNTING POLICIES

As mentioned in Note 4.2 to the financial statements, the Group has adopted MFRS 9 during the financial year. The financial impacts upon the adoption of this accounting standard are summarised below:-

Statement of Financial Position

	At 1 January 2018		
	As Previously Reported RM'000	**MFRS 9 Adjustments RM'000**	**As Restated RM'000**
Group			
Assets			
Contract assets	5,868	(7)	5,861
Trade receivables	677,027	(5,013)	672,014
Other receivables	8,298	(1,911)	6,387
Fixed deposits with licensed banks	44,222	(145)	44,077
Cash and bank balances	29,844	(88)	29,756
Equity			
Retained profits	257,876	(7,164)	250,712

38. CHANGES IN ACCOUNTING POLICIES (Continued)

Initial Application of MFRS 9

The Group has adopted MFRS 9 without restating any comparatives information (transitional before, the financial impacts arising from the new classification and measurement of financial instruments, and the new impairment requirements are not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the opening consolidated statement of financial position on 1 January 2018 (date of initial application of MFRS 9). The main impacts resulting from the changes made are summarised below:-

The Group has changed its impairment loss methodology from the 'incurred loss' approach to the 'expected credit loss' approach upon the adoption of MFRS 9. Under this new approach, the Group has accounted for the expected credit losses of its financial assets measured at amortised cost and contract assets to reflect their changes in credit risk since initial recognition. Also, the Group has applied a simplified approach to measure the loss allowance of its trade receivables and contract assets as permitted by MFRS 9. Consequently, a total increase of RM7,164,000 in the loss allowance for trade receivables, contract assets, other receivables, fixed deposits with licensed banks, cash and bank balances was recognised in the opening retained profits of the Group at 1 January 2018.

39. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of the current financial year.

	As Restated RM'000	As Previously Reported RM'000
Consolidated Statement of Financial Position (Extract):-		
Contract assets	5,868	16,012
Other receivables, deposits and prepayments	21,110	16,110

LIST OF PROPERTIES HELD BY THE GROUP

AS AT 31 DECEMBER 2018

No.	Location/Address	Description/ Existing Use	Area (Sq. Metres)	Tenure	Age of Building (Years)	Carrying Amount (RM'000)	Year of Acquisition
1.	8 Suria Block F, 33, Jalan PJU 1/42, 47301 Petaling Jaya, Selangor.	6 storey office building	Built-up area: 880.07	Freehold	6	5,322	2013
2.	8 Suria Block G, 33, Jalan PJU 1/42, 47301 Petaling Jaya, Selangor.	6 storey office building	Built-up area: 866.04	Freehold	6	5,247	2013
3.	A-1-11, Jalan PJU 1A/20A, Dataran Ara Damansara 47301 Petaling Jaya, Selangor	3 storey shop office	Land area: 176 Built-up area: 473.39	Freehold	13	1,225	2007
4.	A-1-11A, Jalan PJU 1A/20A, Dataran Ara Damansara 47301 Petaling Jaya, Selangor	3 storey shop office	Land area: 176 Built-up area: 473.39	Freehold	13	1,225	2007
5.	PT 697, HS(D) 1035 PT 698, HS(D) 1036 PT 699, HS(D) 1037 PT 700, HS(M) 418 PT 701, HS(D) 1038 Mukim Ulu Yam, Daerah Ulu Selangor, Selangor	Land for proposed mixed development	Land area: 469,881	Leasehold 99 years expiring between 06.03.2083 to 12.03.2083	-	49,230	2015
6.	Lot 1246, GRN 26312 Lot 1247, GRN 26313 Lot 1248, GRN 26314 Lot 1249, GRN 28311 Lot 1250, GRN 28312 Lot 1251, GRN 28313 Lot 1252, GRN 28314 Lot 1253, GRN 28315 Lot 1254, GRN 28316 Lot 1255, GRN 26315 Seksyen 41, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan.	Land for proposed mixed development	Land area: 2,047	Freehold	-	16,872	2016
7.	PT 70677, HS(D) 135577 Pekan Kampung Sungai Tangkas, Daerah Ulu Langat, Selangor.	Agriculture land	Land area: 16,056	Freehold	-	4,000	2006

ANALYSIS OF SHAREHOLDINGS

AS AT 5 APRIL 2019

SHARE CAPITAL

Issued shares	:	753,000,000 ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share
Number of Shareholders	:	2,334

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	0	0.000	0	0.000
100 – 1,000	230	9.854	180,600	0.023
1,001 – 10,000	882	37.789	5,545,000	0.736
10,001 – 100,000	1,002	42.930	40,812,500	5.419
100,001 to < 5% of issued shares	216	9.254	204,545,237	27.164
5% and above of issued shares	4	0.171	501,916,663	66.655
Total	**2,334**	**100.000**	**753,000,000**	**100.000**

SUBSTANTIAL SHAREHOLDERS (AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

	No. of ordinary shares held			
Name of Substantial Shareholders	Direct Shareholding	Percentage (%)	Indirect Shareholding	Percentage (%)
Wan Azman Bin Wan Kamal	501,916,663	66.653	-	-
Subahan Bin Kamal	51,083,337	6.783	-	-

DIRECTORS' SHAREHOLDINGS

Pursuant to Section 59(11)(c) of the Companies Act 2016, the Directors' shareholdings/interest and their deemed interest via their spouses and children are as follows:-

	No. of ordinary shares held			
Names of Directors	Direct Shareholding	Percentage (%)	Indirect Shareholding	Percentage (%)
1. Chng Boon Huat	500,000	0.066	-	-
2. Muhamad Fuad Bin Abdullah	400,000	0.053	-	-
3. Siti Naaishah Binti Hambali	500,000	0.066	-	-
4. Subahan Bin Kamal	51,083,337	6.783	-	-
5. Wan Azman Bin Wan Kamal	501,916,663	66.655	-	-
Total	**554,400,000**	**73.625**	**-**	**-**

AS AT 5 APRIL 2019

THIRTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	% of Issued Shares
1.	Wan Azman Bin Wan Kamal	194,362,540	25.811
2.	Wan Azman Bin Wan Kamal	102,518,041	13.614
3.	Wan Azman Bin Wan Kamal	102,518,041	13.614
4.	Wan Azman Bin Wan Kamal	102,518,041	13.614
5.	Subahan Bin Kamal	30,219,419	4.013
6.	Subahan Bin Kamal	20,863,918	2.770
7.	Seri Delima Anggun Sdn. Bhd.	20,000,000	2.656
8.	Lim Eng Keong	19,394,800	2.575
9.	TASEC Nominees (Tempatan) Sdn Bhd Exempt An For TA Investment Management Berhad (Clients)	5,983,300	0.794
10.	Tan Swee Yeong	4,000,000	0.531
11.	Universal Trustee (Malaysia) Berhad TA Islamic Fund	3,300,000	0.438
12.	Lee Chew Wah	3,200,000	0.424
13.	Loo Tang Kim	2,750,000	0.365
14.	Cartaban Nominees (Tempatan) Sdn Bhd Exempt An For Ca Indosuez (Switzerland) Sa, Singapore Branch (Malaysian)	2,500,000	0.332
15.	David Lim Kern Yen	2,252,000	0.299
16.	Chang Ah Kau @ Chong Hon Chong	2,030,000	0.269
17.	Lim Yoke Chin	1,900,000	0.252
18.	Liew Chooi Lynn	1,823,000	0.242
19.	Saw Lip Hean	1,760,000	0.233
20.	Nik Pa'ezah Binti Ismail	1,720,500	0.228
21.	Bo Chun Ping	1,700,000	0.225
22.	Chong Shen Chong	1,700,000	0.225
23.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad For TA Dana Optimix	1,700,000	0.225
24.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ng Keng San	1,555,000	0.206
25.	Chong Fun Ling	1,500,000	0.199
26.	Liew Siew Har	1,500,000	0.199
27.	Low Chew Guat	1,500,000	0.199
28.	Wong Siu Chung	1,500,000	0.199
29.	Lim Eng Chong	1,310,000	0.173
30.	Saw Hoay Theng	1,242,700	0.165
Total		**640,821,300**	**85.102**

NOTICE OF 2ND ANNUAL GENERAL MEETING

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of the Company will be held at Greens II, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on **Wednesday, 29 May 2019** at **10.00 a.m. for the following purposes:**

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Directors' and Auditors' Reports.

   [Please refer to Note (a)]

2. To re-elect the following Directors retiring in accordance with the Clause 125 of the Constitution of the Company and being eligible, have offered themselves for re-election:

   i. Ir. Dr. Muhamad Fuad Bin Abdullah **(Ordinary Resolution 1)**
   ii. Hj Wan Azman Bin Wan Kamal **(Ordinary Resolution 2)**

3. To approve the payment of Directors' fees of up to RM500,000.00 for the financial year ending 31 December 2019. **(Ordinary Resolution 3)**

4. To approve the payment of Directors' benefits of up to RM100,000.00 from the date of the forthcoming Annual General Meeting until the next Annual General Meeting of the Company. **(Ordinary Resolution 4)**

   [Please refer to Note (b)]

5 To re-appoint Messrs Crowe Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

SPECIAL BUSINESS

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

6. **Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016 ("the Act").** **(Ordinary Resolution 6)**

   "THAT pursuant to Sections 75 and 76 of the Act and approvals from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and other relevant authorities, where approval is necessary, authority be and is hereby given to the Directors to allot and issue shares in the Company at any time upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares to be issued shall not exceed 10% of the issued share capital of the Company at any point of time AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company."

   [Please refer to Note (c)]

7. **Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT").** **(Ordinary Resolution 7)**

   "THAT subject to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into RRPT with the related parties as set out in Section 2.4 of the Circular to the Shareholders dated 30 April 2019, which are necessary for day-to-day operations and are carried out in the ordinary course of business on terms which are not more favorable to the related parties than those generally available to the public and are undertaken on arms' length basis and not to the detriment of minority shareholders;

   THAT the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in force until;-

   (a) the conclusion of the next AGM of the Company at which time this shareholders' mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but must 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 our shareholders in a general meeting.

whichever is earlier;

AND THAT the Directors be and are hereby authorised to complete and do all such acts and things as it may consider expedient or necessary (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this mandate."

8. To transact any other business of which due notice shall have been given in accordance with the Act.

BY ORDER OF THE BOARD

Wong Wai Foong (MAICSA No. 7001358)
Lim Hooi Mooi (MAICSA No. 0799764)
Ong Wai Leng (MAICSA No. 7065544)
Company Secretaries

Kuala Lumpur
30 April 2019

NOTES:-

(i) A member of a Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint not more than two (2) proxies in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.

(ii) Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(iii) For a member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

(iv) Where a member or the authorized nominee appoints more than two (2) proxies, or where an exempt authorized nominee appoints more than one (1) proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.

(v) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting at which the person named in the appointment proposes to vote:

i. In hard copy form
In the case of an appointment made in hard copy form, the proxy form must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

ii. By electronic means via facsimile
In the case of an appointment made by facsimile transmission, this proxy form must be received via facsimile at 03-2783 9222.

iii. By electronic means via email
In the case of an appointment made via email transmission, this proxy form must be received via email at is.enquiry@my.tricorglobal.com

For options (ii) and (iii), the Company will require the member to deposit the original executed proxy form as in (i) above no later than Monday, 27 May 2019 at 10.00 a.m. for verification purpose.

i. Online
In the case of an appointment made via online lodgement facility, please login to the link website at https://tiih.online and select "e-Services" to login. Please refer to the Annexure 1 in the Administrative Guide on how to register to TIIH Online and submit your proxy form electronically.

(vi) For the purpose of determining a member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 21 May 2019 and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.

Explanatory Notes:

(a) Agenda No. 1

This item is meant for discussion only. The provisions of Section 340(1)(a) of the Companies Act 2016 require that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting ("AGM"). As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

(b) Ordinary Resolution No. 4

This resolution is to facilitate payment of Directors' benefits for the period from the date of the forthcoming AGM until the next AGM of the Company. In the event the Directors' benefits proposed are insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for additional fees to meet the shortfall.

Directors' benefits include allowances for travel and training programmes for Directors and other emoluments payable to Directors and in determining the estimated total the Board had considered various factors including the number of scheduled meetings for the Board and Board Committees, and covers the period from the date of the forthcoming AGM until the next AGM of the Company.

(c) Ordinary Resolution No. 6

The proposed Resolution No. 6 is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration. Should the mandate be exercised, the Directors will utilize the proceeds raised for working capital or such other applications they may in their absolute discretion deem fit.

GAGASAN NADI CERGAS
BERHAD (1238966-U)

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.29(2) OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. There is no person seeking election as director of the Company at this Annual General Meeting.

2. General mandate for issue of securities

   Kindly refer to the Explanatory Notes on Special Business - Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016 under Explanatory Note (c) of the Notes to the Notice of the 2nd Annual General Meeting.

PROXY FORM

(Before completing this form please refer to the notes below)

Number of Shares held	
CDS Account	

I/We ____ (Name of Shareholder as per NRIC, in capital letters) NRIC No./Company No. ____(New) ____(Old)

of ____

being a Member(s) of GAGASAN NADI CERGAS BERHAD, hereby appoint ____

____ (Name of proxy as per NRIC, in capital letters)

NRIC No. ____ (New) ____ (Old)

or failing him/her ____ (Name of proxy as per NRIC, in capital letters)

NRIC No. ____ (New) ____ (Old)

or failing him/her the Chairman of the Meeting

as my/our proxy to vote for me/us on my/our behalf at the 2nd Annual General Meeting of the Company to be held at Greens II, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 29 May 2019 at 10.00 a.m. and any adjournment thereof.

My/Our proxy is to vote either on a show of hands or on a poll as indicated below with an "X".

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		

Dated this _______ day of ________________ 2019

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of Shares	Percentage
Proxy 1		%
Proxy 2		%
		100%

____
Signature/ Common Seal of Shareholder(s)
Contact:

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Affix
Stamp

GAGASAN NADI CERGAS BERHAD
Unit 30-01, Level 30
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

please fold here

GAGASAN NADI CERGAS
BERHAD (1238966-U)
(Incorporated in Malaysia)

F-1 @ 8 Suria, 33 Jalan PJU 1/42 47301, Petaling Jaya, Selangor Darul Ehsan, Malaysia | +603 7887 3388 | +603 7887 3355 | www.nadicergas.com