GAGASAN NADI CERGAS
BERHAD (1238966-U)

ANNUAL REPORT
2019

GROWING SUSTAINABLY, DELIVERING RESULTS.

GROWING SUSTAINABLY, DELIVERING RESULTS.

With a foresight for sustainable progress, Gagasan Nadi Cergas Berhad's management team had a daring vision of evolving the Group's business model to include recurring income streams that are able to withstand the changes and challenges in any environment.

Backed by our strong delivery capabilities, and a drive for excellence, Gagasan Nadi Cergas has grown to become an integrated construction group with a sustainable business model of concessions & facility management and utilities services.

Coupled with our enviable 20-year track record of delivering sizable and essential projects across the nation, Gagasan Nadi Cergas is well positioned to not only "grow sustainably and deliver results' but also mitigate the impact of the global and domestic economic downturn.

3rd ANNUAL GENERAL MEETING

Tuesday, 15 September 2020, 10.00 a.m.

Venue: **Ballroom III**
Tropicana Golf & Country Resort
Jalan Kelab Tropicana
Pinggiran Golf Saujana
Tropicana, 47410 Petaling Jaya
Selangor Darul Ehsan

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Corporate Information

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

Professor Emerita Siti Naaishah 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
Professor Emerita Siti Naaishah Hambali

REMUNERATION COMMITTEE
Professor Emerita Siti Naaishah Hambali - *Chairman*
Ir. Dr. Muhamad Fuad Bin Abdullah
Chng Boon Huat

NOMINATION COMMITTEE
Ir. Dr. Muhamad Fuad Bin Abdullah - *Chairman*
Professor Emerita Siti Naaishah Hambali
Chng Boon Huat

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(MAICSA 7001358)
Lim Hooi Mooi (SSM PC No. 201908000134)
(MAICSA 0799764)
Ong Wai Leng (SSM PC No. 202008003219)
(MAICSA 7065544)

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STOCK EXCHANGE LISTING
ACE Market of Bursa Malaysia Securities Berhad

Bursa Malaysia: NADIBHD / 0206
Bloomberg Code: GNCB MK
Reuters Code: GAGA.KL

Corporate Structure

GAGASAN NADI CERGAS
BERHAD (1238966-U)

- Provision of Management and Corporate Services
  - **Nadi Cergas Management Services Sdn Bhd** 100%
- Utilities Services
  - **Naditech Utilities Sdn Bhd** 60%
    - **Naditech Power Sdn Bhd** 95%
      - **Naditech Icon Sdn Bhd** 100%
    - **Naditech Energy Sdn Bhd** 95%
- Provision of Construction Services and Concessions
  - **Nadi Cergas Sdn Bhd** 100%
    - **Sasaran Etika Sdn Bhd** 100%
    - **Naluri Etika Sdn Bhd** 100%
- Provision of Facility Management Services
  - **Nadi Cergas Urus Harta Sdn Bhd** 100%
- Property Investment
  - **Nadi Cergas Hartanah Sdn Bhd** 100%
- Property Development
  - **Nadi Cergas Development Sdn Bhd** 70%
    - **Ringgit Muhibbah Sdn Bhd** 95%
    - **Nadi Emery Sdn Bhd** 70%
    - **Nadi Embun Sdn Bhd** 75%
- Dormant
  - **Nadi Cergas Medik Sdn Bhd** 100%

Corporate Profile

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

CONSTRUCTION

Incorporated 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 allows 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 embracing trailblazing technologies, deploying advanced machinery and acquiring industry benchmark technical expertise. This is seen through our use in 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.

In a span of 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 profit generating segments.

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 facility management services.

Through Sasaran Etika Sdn Bhd and Naluri Etika Sdn Bhd, we managed the entire spectrum of construction services and concessions development under the Private Finance Initiative ("PFI") model, as part of the Public-Private Partnership ("PPP") programme. This encompasses financing, designing, constructing, and project delivery.

Our role as concessionaire also includes the provision of facility management services via Nadi Cergas Urus Harta Sdn. Bhd., which executes general maintenance works, electrical works, 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.

On 29 October 2019, the Group proposed to acquire polytechnic hostel asset concessionaire, Konsortium PAE Sepakat Sdn Bhd ("KPS"). The proposed acquisition will entitle Gagasan Nadi Cergas to the future cash flow streams of KPS and extend its in-house facilities management services to the said concession assets.

Corporate Profile (Cont'd)

UTILITY SERVICES

Our innovation in spearheading sustainability and eco-conscious construction extends to optimising efficiency in utilities management.

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 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 in construction, it was a natural progression for Nadi Cergas 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.

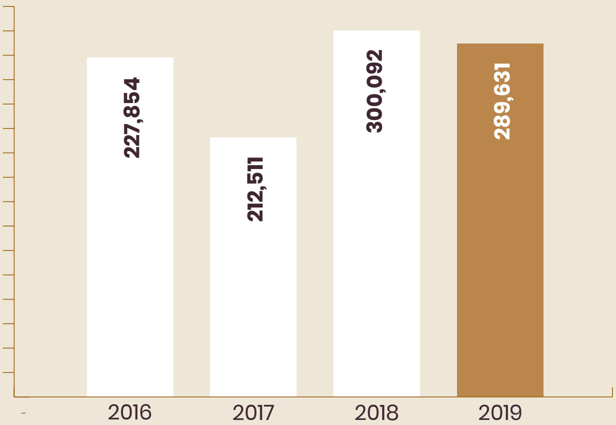
Our property development activities are supported not only by our principal competency of building construction, but with a full scope of in-house expertise, such as development planning, architectural and engineering design, quantity surveying, procurement and project management.

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'.

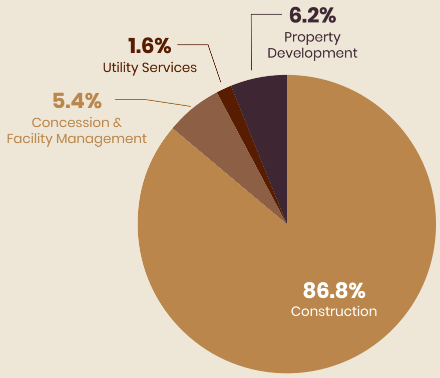
We are confident that this unique four-pronged business model will propel the Group's growth momentum into the future.

Financial Highlights

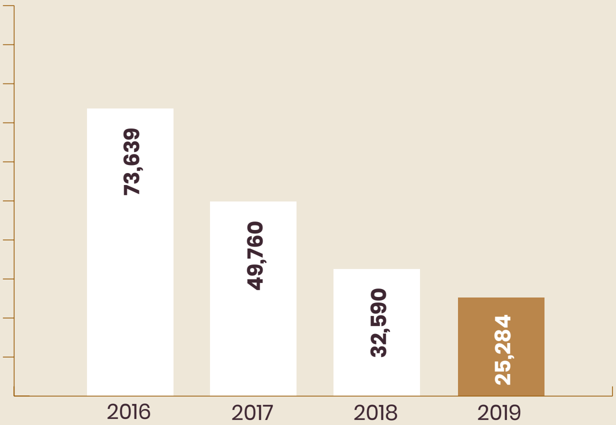
Revenue (RM '000)



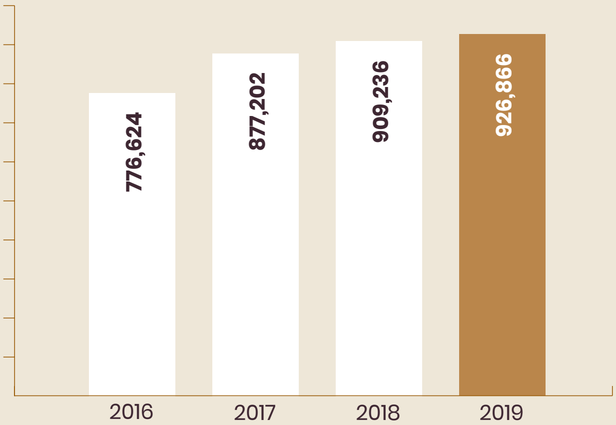
FY2019 Revenue Breakdown



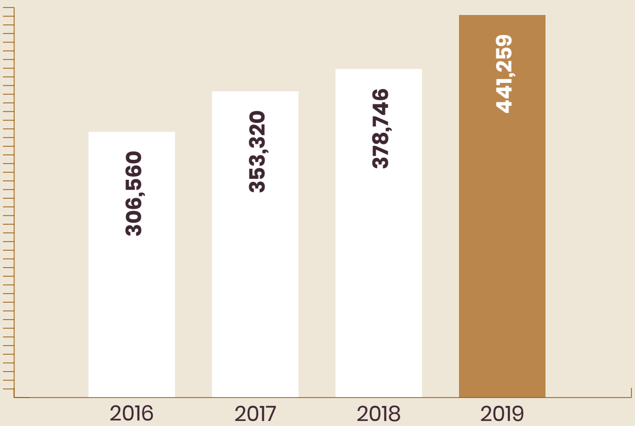
Net Profit/(Loss) (RM '000)



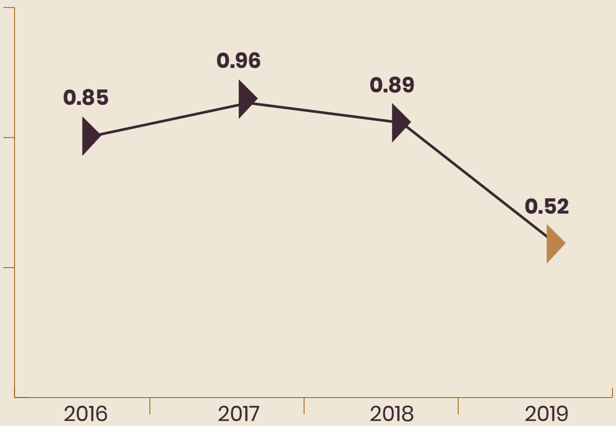
Total Assets (RM '000)



Shareholders' Equity (RM '000)



Net Debt-to-Equity (x)



Financial Highlights (Cont'd)

4-YEAR GROUP FINANCIAL HIGHLIGHTS

Financial Summary	2016	2017	2018	2019
For the Financial Year Ended 31 December (RM'000)				
Revenue	227,854	212,511	300,092	289,631
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	112,044	84,457	64,844	52,714
Operating Profit	110,441	82,480	62,622	50,365
Profit before Tax ("PBT")	100,833	66,957	45,635	34,880
Net Profit Attributable to Shareholders	73,639	49,760	32,590	25,284
As At 31 December (RM'000)				
Shareholders' Funds	306,560	353,320	378,746	441,259
Share Capital	15,000	95,444	95,444	136,444
Reserves (Net of Treasury Shares at Cost)	291,560	257,876	283,302	304,815
Total Assets	776,624	877,202	909,236	926,866
Net Current Assets	339,775	164,363	213,110	267,678
Total Borrowings	326,522	386,853	363,216	322,051
Cash and Bank Balances and Fixed Deposits with Licensed Banks	70,489	74,066	73,706	123,573
Per Share*				
Basic Earnings per Share (sen)	9.8	6.6	4.3	3.4
Net Tangible Assets per Share (sen)	40.7	46.9	50.3	58.6
Returns (%)				
Return on Average Shareholders' Equity (%)	27.1	15.1	8.9	6.2
Return on Average Total Assets (%)	10.9	6.0	3.6	2.8
Financial Analysis				
Operating Margin (%)	48.5%	38.8%	20.9%	17.4%
PBT Margin (%)	44.3%	31.5%	15.2%	12.0%
Net Margin (%)	32.3%	23.4%	10.9%	8.7%
Net Debt to equity (Times)	0.85	0.96	0.89	0.52

** Based on enlargerd share based of 753 million shares*

Chairman's Statement

Ir. Dr. Muhamad Fuad Bin Abdullah
Independent Non-Executive Chairman
of Gagasan Nadi Cergas

Dear valued shareholders,

"On behalf of the Board of Directors of Gagasan Nadi Cergas, I am honoured to present to you the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 December 2019 ("FY2019")."

2019 ECONOMIC REVIEW

Over the past 12 months, the World Bank had stated that the overall global economy growth decelerated markedly in 2019 to an estimated 2.4% gross domestic product ("GDP") (2018: 3.7%) – the lowest rate of expansion since the 2009 global financial crisis. The decline in GDP expansion was attributable to the trade tensions among major economies, which led to volatility in global financial markets.

Back home, the Malaysian economy was impacted by the weaker total exports, disruptions in cross-border supply chains and declining private investments amid low business confidence. The negative effects of the trade slowdown were partially offset by the Government and Bank Negara's proactive actions in stimulating the economy via monetary and fiscal policies. As such, Malaysia's annual GDP growth moderated to 4.3% in 2019 (2018: 4.7%) — the lowest level since the global financial crisis in 2009.

In tandem with Malaysia's muted GDP expansion, the construction sector registered drastically reduced growth rate of 0.1% (2018: 4.2%), on continued delays in the commencement of major infrastructure projects as well as lower private sector investment. Meanwhile, the property sector remained flat with the implementation of stringent housing loan requirements, compounded by a mismatch between the prices of new launches and households' affordability.

Chairman's Statement (Cont'd)

2019 ECONOMIC REVIEW (CONT'D)

Despite adverse economic and operating conditions, the Group continued to deliver resilient financial performance for the year in review. This performance is testament to the foresight of our experienced management team in developing a sustainable business model of recurring income streams complementing project-based undertakings in the construction sector.

Meanwhile, we took advantage of the sector doldrums to showcase our commitment as a responsible property developer and made positive progress in our maiden Antara Residence. We have also started the first phase of our 116-acre Ulu Yam land bank, Selindung Ulu Yam PPAM Selangorku Project.

2020 OUTLOOK

According to the International Monetary Fund, the global economy's GDP is projected to shrink to -3.0% in 2020 admist the Coronavirus Pandemic ("Covid-19"), marking the steepest downturn since the Great Depression of the 1930s. These projections could potentially be worsened by a further 3% contraction, if the Covid-19 containment continue to persist through the third quarter of 2020.

In line with bleak global projections, Bank Negara Malaysia ("BNM") significantly trimmed Malaysia's 2020 GDP forecast from 4.5% growth to a range of -2.0% and 0.5%, in light of a highly challenging global economic outlook and necessary undertaking of domestic containment measures. The significant contraction of Malaysia's GDP forecast was largely due to dampened economic activity following the suspension of operations by non-essential sectors, broad-based travel restrictions and travel risk aversion, as well as production disruptions in the global supply chain.

Meanwhile, the Malaysian Ministry of Finance in November 2019 forecasted an expansion of 3.7% for the construction industry on the continuation of mega projects as well as the building of affordable homes. However, these projections are likely to be reconsidered in light of the Covid-19 containment measures. Similar to other construction players, the Group halted its construction works under the Movement Control Order ("MCO") period. However, Gagasan Nadi Cergas's unique business model of stable recurring income stemming from Concessions would enable the Group to mitigate the shocks of this unprecedented period of uncertainty.

On the property development front, BNM has reduced the Overnight Policy Rate ("OPR") by 100 basis points to 2.0% since January 2020. Coupled with various government policies, these measures are expected to aid in spurring the soft property market, and in turn, encourage private-driven residential construction projects. This bodes well for the Group's property development projects which are already affordably priced in well-suited locations.

With the world and nation undergoing unprecedented times, we at Gagasan Nadi Cergas will continue to hone our competitive edge and build on the Group's proven track-record of more than 20 years in delivering numerous essential projects across the nation.

Complemented by our strong recurring earnings of Concessions & Facility Management and Utility Services segments, we remain dedicated in growing sustainably and delivering results as we chart our course amidst the current uncertainties towards becoming a leading player in Malaysia's construction industry.

APPRECIATION

"I wish to convey my heartfelt appreciation to the Board of Directors, Management team and our employees for their unwavering commitment towards delivering commendable results despite the prevailing challenging business environment. Gagasan Nadi Cergas's achievements today would not have been possible without their unfailing efforts.

Last but not least, I wish to extend my deepest gratitude to our business partners, associates, suppliers, customers and also valued shareholders for maintaining their confidence in us."

Sincerely,

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

Management Discussion and Analysis

GROUP MANAGING DIRECTOR'S MESSAGE

Dear valued shareholders,

"Despite the challenging doldrums faced by construction sector in the year under review, I am nonetheless pleased that Gagasan Nadi Cergas showcased our inherent resiliency and resourcefulness in the face of adversity.

Against this backdrop, the Group stayed true to its core principles of focusing on long-term sustainability and leveraging on the combined strengths of our integrated business divisions. This is well-reflected by our proposed acquisition of polytechnic hostel asset concessionaire, Konsortium PAE Sepakat Sdn Bhd ("KPS"), to expand our recurring income base.

Without further ado, I hereby present to you the overview of our multi-pronged growth strategies, as well as financial and operational performance for the FY2019."

BUSINESS OVERVIEW

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

- **Construction**

  Gagasan Nadi Cergas through Nadi Cergas, is registered with PKK and CIDB 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 to provide value engineering, cost optimisation and production efficiency. These technologies and practices include:

  - **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 time. Aligning the design element and construction phase also safeguards the complete viability and structural integrity of a project.
  - **Industrialised Building System**, which is a construction process that speeds up project progress by utilising prefabricated components and on-site installation.
  - **Building Information Modelling**, which provides "virtual reality" insight throughout the stages of building construction. This allows for early clash detection and analysis, which enhances efficiency in implementing large-scale projects and potentially reduces completion time.

  Over the past 20 years, this business model has served us well and allowed Gagasan Nadi Cergas to amass extensive construction experience for a wide-ranging array of residential and non-residential buildings.

  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 until 2034 and Universiti Teknikal Malaysia Melaka ("UTeM") in Durian Tunggal, Melaka till 2037. Both concessions involve the Group adopting the 'build, finance, maintain and transfer' model.

  Following the completed construction of the student hostels for IIUM, Kuantan in 2014 and UTeM, Melaka in 2017, the Group commenced the provision of facility and equipment maintenance as well as facility management of the student hostels for the remaining 20-year concession period.

  On 29 October 2019, the Group proposed to acquire KPS which holds concession agreements for seven polytechnic hostels in six states nationwide, entailing design, construction, and facilities management.

  The seven concession hostels are Polytechnic Banting in Selangor, Polytechnic Ungku Omar, Ipoh in Perak, Polytechnic Port Dickson in Negeri Sembilan, Polytechnic Seberang Perai in Penang, Polytechnic Ibrahim Sultan, Pasir Gudang in Johor, Polytechnic Jeli, and Polytechnic Kota Bharu in Kelantan. Upon the completion of construction, the seven hostels were handed over in 2016, and are currently maintained by KPS under the concession agreement until Sept 25, 2035.

Management Discussion and Analysis (Cont'd)

BUSINESS OVERVIEW (CONT'D)

- **Utility Services**

  Under a 20-year agreement till 2028, Gagasan Nadi Cergas operates and maintains a district cooling system ("DCS") including a Thermal Energy Storage ("TES") tank to supply chilled water to buildings within German-Malaysian Institute for their air conditioning requirements.

  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-year 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.

  In December 2019, the Group launched the first phase of its 116-acre Ulu Yam township, called Selindung Ulu Yam. The first phase which has an estimated GDV of RM135 million, comprises 447 units of affordably-priced landed homes under the Selangorku PPAM programme.

FINANCIAL OVERVIEW

Consolidated Income Statement

Gagasan Nadi Cergas recorded 3.6% marginally lower revenue of RM289.6 million in FY2019 compared to RM300.1 million registered in the financial year ended 31 December 2018 ("FY2018"). This is attributable to lower progress billings from on-going construction projects, amidst steady contributions from the Concession and Facility Management, and Utility Services segments.

In FY2019, the Group registered profit before tax ("PBT") of RM34.9 million, a decrease of 23.5% compared with RM45.6 million a year ago, largely attributable to lower profit margin recorded from construction projects.

The decline in revenue contribution and larger administration expenses resulted in the Group's net profit dipping 22.4% to RM25.3 million in FY2019, as compared to RM32.6 million in previous year.

Consequently, Gagasan Nadi Cergas's earnings per share decreased to 3.36 sen in FY2019 from 5.32 sen registered a year ago.

Segmental Financial Performance

i. Construction

The Construction segment contributed the lion's share of total revenue in FY2019, constituting 86.9% of the Group's revenue. The segment's revenue decreased 6.9% to RM251.5 million from RM270.3 million in FY2018 from slower-than-expected progress billings and several construction projects which were at final stage of completion, namely PR1MA Pasir Mas project and Rumah Selangorku Bukit Raja project.

In line with lower contribution, the construction segment's PBT declined 42.0% to RM16.2 million from RM28.0 million a year ago.

ii. Recurring income

The recurring income segment consists of Concession and Facility Management, and Utility Services.

With both UTeM Concession and IIUM Concession providing full year contribution starting 2018, the Group reached optimal recurring income from both concessions. As such, the Group registered stable revenue and PBT contributions for FY2019 of RM15.8 million and RM20.2 million respectively, as compared to RM15.8 million and RM20.6 million in FY2018.

The recurring income segment is the second largest revenue contributor with 5.4% in FY2019. Notably, due to its business model of incurring substantial investments upfront, the segment is the Group's biggest PBT contributor with 58.0% proportion in FY2019.

iii. Property Development

In line with the healthy progress billings of Antara Residence, the Property Development segment's revenue rose tremendously by 81.6% to RM17.8 million from RM9.8 million previously.

However, the segment recorded loss before tax ("LBT") of RM150K from PBT of RM1.0 million a year ago. This is due to the incurrence of initial construction costs of preparatory works in developing the Group's first phase of its Ulu Yam township, Selindung Ulu Yam. With the launch done in December 2019, together with steady progress of Antara Residence, it is anticipated that the financial situation of the segment would be reversed to contribute positively in the upcoming years.

Management Discussion and Analysis (Cont'd)

Statement of Financial Position

- Group Assets

  As at 31 December 2019, the Group's total assets increased 1.9% to RM926.9 million from RM909.2 million in FY2018, largely due to the increase in cash and cash equivalents from the steady inflow of Concession payments.

- Liquidity and Capital Resources

  The Group continued its efforts to strengthen its balance sheet, primarily by paring down borrowings in FY2019 by 11.3% to RM322.1 million from RM363.2 million. This was made possible by steady incoming cash flows from fixed concession payments.

  As at 31 December 2019, 88.4% of the Group's total borrowings were long-term in nature, to finance the construction of the IIUM and UTeM student hostels. The repayment of these borrowings will be satisfied by the recurring cashflow from the concession arrangements of IIUM and UTeM student hotels.

  Correspondingly, the Group's total liabilities decreased 8.6% to RM480.7 million from RM526.2 million.

  Despite the significant dip in borrowings, the Group's cash and cash equivalents and short-term deposits with licensed banks jumped 67.7% to RM123.6 million from RM73.7 million.

  Shareholders' equity rose 16.5% to stand at RM441.3 million as at 31 December 2019 compared to RM378.8 million a year ago, driven by higher retained earnings and larger share capital from the IPO exercise.

  The confluence of factors positively impacted the Group's financial position, where net debt-to-equity ratio reduced to 0.52 times as at 31 December 2019 from 0.89 times in end-FY2018.

- Capital Expenditure

  In FY2019, Gagasan Nadi Cergas incurred capital expenditure ("CAPEX") amounting to RM1.6 million for purchase of property, plant and equipment, which is 71.4% lower than RM5.6 million a year ago.

  The CAPEX incurred was largely attributable to the purchase of construction plant and equipment.

DIVIDEND

Gagasan Nadi Cergas paid two interim single-tier dividends to shareholders in respect of FY2019 amounting to a total of 1.0 sen per share. The total dividend payout amounted to RM7.5 million, represented 30% of FY2019 net profit which is in line with the Gagasan Nadi Cergas's dividend policy.

We believe that dividends are an effective way of rewarding shareholders and appreciating their loyalty despite a tumultuous year. As such, we believe dividends are a key component in creating shareholder value, and intend to uphold our dividend policy going forward.

SEGMENTAL REVIEW

- **Construction Segment**

  The uncertain environment notwithstanding, Gagasan Nadi Cergas remained focused at the task on hand of delivering and making steady progress in our on-going projects.

  The Group reached the tail-end in building two residential projects, namely Rumah Selangorku Bukit Raja in Klang, Selangor and PR1MA Homes Pasir Mas in Kelantan, which are expected to be completed by 2020.

  Meanwhile, the construction progress for Maktab Rendah Sains Mara ("MRSM") in Bagan Datuk, Perak and Cardiology Centre for Serdang Hospital were smooth as we passed the initial stage of structural construction. With this, we are able to accelerate the pace of work to propel more substantial revenue recognition in the financial year ending 31 December 2020 ("FY2020").

  For the Cardiology Centre for Serdang Hospital project, the Group had mutually agreed with Public Works Department Malaysia on 24 May 2019 to revise the total contract sum from RM289.8 million to RM284.0 million, representing a reduction of approximately 2%. Following this agreement, the Group has resumed normal building operations and expect to complete the project by 2021.

  Even amidst the challenging backdrop in the construction sector, Gagasan Nadi Cergas manage to strengthen our order book in FY2019 by securing a RM110.0 million contract for the building of a public residential development from Putrajaya Homes Sdn Bhd in January 2019.

  The contract entails the proposed construction and completion of public residential development in Precinct 11, Putrajaya which consists of 2 blocks of 16-storey and 17-storey apartments (463 units), 3-storey multilevel car park and community facilities, and upgrading works.

  The contract is for a duration of 34 months and is expected to complete by November 2021.

- **Recurring Income Segment**

  In FY2019, Gagasan Nadi Cergas demonstrated our steadfast commitment to long-term sustainable growth, as we sought to bolster our recurring income foundation with growth-centric construction sector.

  To that end, Gagasan Nadi Cergas proposed to acquire 100% equity interest in KPS, for an all-cash purchase consideration of RM158.0 million in October 2019.

  With the addition of KPS, Gagasan Nadi Cergas will be entitled to the future cash flow streams from KPS's seven concession agreements over the remaining tenure period till 25 September 2035. The proposed acquisition will also allow the Group to extend its in-house facilities management services to the seven polytechnics hostels.

  Additionally, via Nadi Cergas Urus Harta Sdn Bhd, the Group expanded our in-house capabilities to include facilities management services for better efficiency and operations timeliness. The Group began undertaking facilities management services as well as the engineering maintenance for all the equipment installed in the hostels for the IIUM concessions starting from March 2019.

Management Discussion and Analysis (Cont'd)

SEGMENTAL REVIEW (CONT'D)

- **Recurring Income Segment** (Cont'd)

  Meanwhile, under the utility services segment, the Group continued to maintain and operate the DCS to supply chilled water within the German-Malaysian Institute campus, as part of its 20-year build-operate-transfer contract.

  For its upcoming DCS and ECS concession in Datum Jelatek development, the Group is awaiting for the completion of the development before commencing operations.

- **Property Development Segment**

  Despite the soft property market, the Group's first property development, Antara Residence, charted commendable take-up rate of 61% as at 31 December 2019 based on signed and stamped Sale and Purchase Agreements. The strong take-up rate despite the soft property market is a testament to the Group's right pricing strategy in line with the demand of property buyers. The project, which is currently in the super-structure construction phase, is on-track for completion in 2022.

  In furthering our property development foray and supporting Malaysia's affordable housing programme, Gagasan Nadi Cergas launched the first phase of its Selindung Ulu Yam township project under the Residensi Selangorku PPAM programme. The first phase comprises 447-landed residential homes, which are priced from RM192,000 to RM250,000 and with an estimated GDV of RM135 million. We have received encouraging response for the first phase with over 151 bookings as at May 2020.

- **Corporate Developments**

  To ensure we have the financial flexibility to undertake growth strategies while supporting the Group's future construction and property development projects, the Group proposed to issue RM200.0 million Islamic medium-term notes ("IMTNs") over 10 years. The Group plans to raise RM92.0 million under the proposed IMTNs issuance to fund the KPS acquisition. The remaining tranches will be used to finance future investment activities, CAPEX, working capital requirements and/or for other general corporate purposes.

  On top of that, the Group also plans to raise RM60.0 million via issuance of a convertible sukuk ("CS"). The CS has a tenure of eight years as well as conversion option to exchange for Gagasan Nadi Cergas shares anytime during the tenure at a conversion price of RM0.32 a share.

RISKS FACED BY THE GROUP

As Gagasan Nadi Cergas looks to continue its growth trajectory, the Group understands the various risks that may materially impact our operations, performance, financial condition, and liquidity. The following are some of the risks currently faced by the Group:

- **Competition and Business Risks**

  A highly competitive environment may result in constrained margins as construction players aggressively reduce prices to secure projects.

  Still, we are optimistic that Gagasan Nadi Cergas's two-decade track record for delivering quality and sizable projects, while adhering to stringent quality and safety standards will help us to stand in good stead in a landscape where project owners are in a more favorable position in the selection of main contractors.

  The Group also believes that our competitive advantage in 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 competitive environment.

- **Fluctuating Building Material Costs**

  Any change in the costs of building materials especially steel and cement would have a corresponding impact on Gagasan Nadi Cergas's margins.

  To mitigate this risk, the Group has established proper mechanisms to manage cost fluctuations, and ensure that adequate project and resource management processes are in place to prevent undesirable consequences.

  The Group also constantly engages with its wide network of trusted suppliers and sub-contractors to ensure that raw materials purchased are competitively-priced and delivered at agreed timelines, thus enabling ideal project progress.

- **Political, Economic and Regulatory Risks**

  With the current climate of volatility in the domestic political and economic situation, Gagasan Nadi Cergas could be adversely affected by lack of clarity on public sector related jobs.

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

  Nevertheless, the Group will leverage on its recurring income segment to navigate this volatile period.

Management Discussion and Analysis (Cont'd)

GROWTH STRATEGIES

According to BNM, the Malaysian economy is forecasted to report a GDP contraction of -2.0% at its worst, and GDP growth of 0.5% at its best in 2020, in light of the challenging global economic outlook as well as necessary stimulus actions taken on the domestic front to contain the impact of Covid-19.

Nevertheless, the Group is optimistic that key building projects will remain at forefront of the Federal Government's priority, and even more so in the aftermath of the Covid-19 outbreak disruptions, and in the spirit of upholding the welfare of the rakyat.

As such, Gagasan Nadi Cergas remains resolute in our efforts to obtain new jobs, especially in the areas of essential buildings and affordable housing. The Group will also steadfastly maintain operational excellence in safeguarding our stable recurring income sources.

Backed with a growth-centric mindset, the Group intends to capture the said opportunities by executing the following strategies:

› Targeting Opportunities in the Construction Sector

Gagasan Nadi Cergas's construction order book stood at a healthy level of RM522 million as at 31 December 2019, which provides earnings visibility until 2021. The sizeable order book comprises ongoing projects of Public Residential Development in Putrajaya, Cardiology Centre for Serdang Hospital in Selangor, MRSM in Bagan Datuk, Perak, Phase 1 and 2 of PR1MA Homes Pasir Mas in Kelantan, and Rumah Selangorku projects in Bukit Raja and Putra Heights, Selangor.

In solidifying our reputation further, the Group is actively pursuing new contracts to build essential buildings, comprising military camps, tertiary education institutions, hospitals, and government buildings.

These contracts will enable the Group to leverage on our established track record towards raising the standards of national buildings and other undertakings.

› Securing New Contracts in the Affordable Housing Sub-Sector

In light of the public sector's consistent commitment towards supplying affordable housing, the Group is favorably positioned to secure more jobs within this sector on the back of Gagasan Nadi Cergas's extensive experience in building large-scale residences.

Moving forward, the Group will continue to tender for contracts in the affordable housing sub-sector by offering our value proposition centered on timely completion, superior quality and competitive pricing.

› Improving Recurring Income Base Through Facility Management and Utility Services

Gagasan Nadi Cergas is expected to bolster its recurring income segment via the proposed acquisition of KPS, which would provide the Group with fixed and predictable revenue over the next 15 years. The Group is optimistic that the acquisition of KPS would be completed within the second half of 2020.

Additionally, the proposed KPS acquisition also allows the Group to extend its in-house facility management services to the seven polytechnics hostels.

As such, Gagasan Nadi Cergas will be focused in ensuring the smooth integration of KPS into the Group in a bid to enhance cost-efficiency and drive economies of scale, especially for facility management of the new concessions.

The Group will also be proactively pursing the commencement of the electricity distribution and DCS jobs of Datum Jelatek, which will accord the Group with additional long-term recurring income streams.

› Enhancing Our Footprint in Property Development

Leveraging on the Group's landbank of 120.6 acres, the Group is proactively evaluating opportune times to launch new phases of the Group's Selindung Ulu Yam township in Selangor and to develop a high-rise building to unlock the full value of prime land located in Lorong Haji Hussein, Kuala Lumpur.

Additionally, the Group believes that the economic downturn presents ample opportunity to develop strategically-located landbank at the appropriate price.

APPRECIATION

I would like to take this opportunity to recognise the continuous endeavours of Gagasan Nadi Cergas's management team and employees in powering through a challenging year and strengthening our unique business model.

I would also like to extend my heartfelt gratitude to our business partners, associates, suppliers, customers, and valued shareholders for maintaining their confidence in us.

We remain dedicated to reaching new heights as we chart our course towards becoming a leading player in Malaysia's construction industry. Insha'Allah

Sincerely,

HJ Wan Azman Bin Wan Kamal
Group Managing Director

Profile of Directors

Ir. Dr. Muhamad Fuad Bin Abdullah
Independent Non-Executive Chairman
Male, Malaysian, Aged 66

Ir. Dr. Muhamad Fuad Bin Abdullah was appointed to the Board on 15 September 2017. He also serves as Chairman of the Group's Nomination Committee and a member of the Audit and Risk Management, and Remuneration Committees.

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 since 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. He became a proprietor of Muhamad Fuad Consulting from 2006 to 2015, involved in engineering consultancy and project management.

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 59

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 34 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.

Profile of Directors (Cont'd)

Dato' Sri Subahan Bin Kamal

Executive Director

Male, Malaysian, Aged 54

Dato' Sri Subahan Bin Kamal was appointed to the Board on 15 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 Sdn. Bhd. 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.

He also 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 directorships in The News Straits Times Press Malaysia Berhad since February 2016.

Professor Emerita Siti Naaishah Hambali

Independent Non-Executive Director

Female, Malaysian, Aged 65

Professor Emerita Siti Naaishah Hambali was appointed to the Board on 15 September 2017. She also serves as the Chairman of the Group's Remuneration Committee and a member of the Group's Audit and Risk Management, and Nomination Committees.

She 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.

Profile of Directors (Cont'd)

Chng Boon Huat
Independent Non-Executive Director
Male, Malaysian, Aged 60

Chng Boon Huat was appointed to the Board on 15 September 2017. He also serves as Chairman of the Audit and Risk Management Committee and a Member of the Remuneration and Nomination Committees.

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) ("Bursa") and had held several positions during his 25-year tenure at Bursa, culminating to become the Head of Corporate Surveillance in 2009. He has gained vast experience during his 25 years at Bursa 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 Securities. While in Bursa, he also represented Bursa 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 to serve as a member of the Adjudication Committee of the National Annual Corporate Report Awards from 2006 to 2013. He left Bursa in 2013 to join Tricor Corporate Services Sdn Bhd as Director, Corporate Advisory, a position he holds to date.

He was appointed by Bursa 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 is also an Independent Non-Executive Director of Atrium REIT Managers Sdn Bhd (the manager of Atrium REIT, an entity listed on Bursa Securities).

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.

Key Senior Management Profiles

Wan Badrul Hisham Bin Wan Kamal

Head of Construction

Male, Malaysian, Aged 55

Wan Badrul Hisham Bin Wan Kamal obtained a Certificate in 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 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 2008. Subsequently in 2008, he was appointed to his current position as Head of Construction at Nadi Cergas.

He has more than 26 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 Ahmad, the Group Managing Director.

Oh Ewe Peng

Chief Financial Officer

Male, Malaysian, Aged 48

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 Manger, 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.

Key Senior Management Profiles (Cont'd)

Aminudin Bin Taib
Head of Concession and Facilities Management
Male, Malaysian, Aged 59

Aminudin Bin Taib obtained a Diploma in Quantity Surveying from Institute Teknologi MARA in 1983. 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 Manger 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.

Sustainability Report

OUR COMMITMENT

As a conscientious listed corporation, we have reiterated our steadfast commitment on sustainability with multiple stakeholders, from the community, investors and employees to interested parties that champion meaningful causes.

As such, the Group have undertaken numerous sustainability initiatives in the form of social responsibility activities as well as upholding employee and economic sustainability programmes. In our second year as a public listed corporation, we continued to play our role as a responsible corporate citizen by intensifying our sustainability efforts.

REPORTING SCOPE

This Sustainability Statement is prepared in accordance with and guided by Bursa Malaysia Securities Berhad's ACE Market Listing Requirements, and the Sustainability Reporting Guide and Toolkits. This Statement covers the financial year of the Group from 1st January 2019 to 31st December 2019.

This Statement has considered all the material economic, environmental and social ("EES") risks and opportunities that impact the operations of the Group, and it encompasses the Group's corporate level and all our subsidiaries involve in the four (4) business segments, ie., Construction, Concessions and Facility Management, Utility Services and Property Development.

SUSTAINABILITY 4 D CORE VALUES

Our actions are governed by our commitments to demonstrate sustainability culture in respect of our economic, environment, and social sustainability initiatives with strong support from our business partners, clients, employees and other stakeholders.

Our core values are:

- ✓ **DURABLE** commitment to promoting quality excellence to EES.
- ✓ **DO IT RIGHT** the first time and every time.
- ✓ **DILIGENT** in complying to the needs and expectations of stakeholders.
- ✓ **DYNAMIC** business interactions and uphold the enterprise risk management through professionalism, harmonisation, ethical and integrity.

OUR SUSTAINABILITY GOVERNANCE

We have formed a Sustainability Management Committee that is responsible for overseeing the Group's commitment to our core values in their dealings with stakeholders, thus ensuring sustainability management on the identified material sustainability matters. The Committee comprises representatives from all business segments of the Group, and is led by Ms Nadya Naina Binti Rahmat, Head of the Quality Assurance and Quality Control ("QA/QC") and Compliance Department.

The Governance Structure of the 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 of Directors ("the Board") and recommending its strategies in managing sustainability matters;
- 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;
- 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, with particular focus on matters material to the organisation; and
- Overseeing the preparation of sustainability disclosures as required by laws and/or rules, and recommending it for the Board's approval.

Sustainability Report (Cont'd)

STAKEHOLDER ENGAGEMENTS

We recognise the importance of every stakeholders within our business activities. As such, we value and seek their input to improve our existing sustainability initiatives that could contribute to better performance.

Engagements are conducted via different communication channels for all stakeholders, including employees at various levels in the Group as well as those who influence our activities and decisions through our stakeholder identification process.

Below is a summary of stakeholder engagement activities conducted by the Group in 2019.

Stakeholder Group	Engagement Activities	Stakeholders' Expectations
Shareholders & Investors	• Reporting of financial information (annual report and quarterly reports) • Annual general meeting • Regular updates about corporate information on corporate website, and media channels	• Practise good corporate governance pratices and adopt acceptable practices of code of ethics and conduct for directors and management • Report accurate financial information
Regulators and Authorities	• Regular meeting • Joint-inspection • Active communication on project requirements via email, letters, memo, etc.	• Meet all compliance requirements
Customers	• Joint inspection	• Deliver high-quality products and services
Employees	• Roundtable discussion • Meeting with focus group • Workshops • Social events	• Ensure welfare, wellbeing and safety
Community	• Public campaigns • CSR event	• Demonstrate ethical business behaviour
Suppliers and Subcontractors	• Evaluation of supplier & subcontractor performance • Open tenders	• Undertake transparent and ethical procuring practices • Exercise fair judgement and approval on quotations

MATERIALITY MATRIX

The material sustainability matters that have shaped our strategies and business decisions are not limited to the Group's financial performance, but also encompass the macro aspects of EES matters.

We aim to increase our values to reach our stakeholders, with material sustainability matters presenting a unique challenge and opportunity for the Group. Data is collected during regular engagements and interactions with both internal and external stakeholders.

Based on the stakeholder engagements and brainstorming sessions with key personnel of the Group, we were able to plot the matrix on the importance of material sustainability matters, as illustrated below:

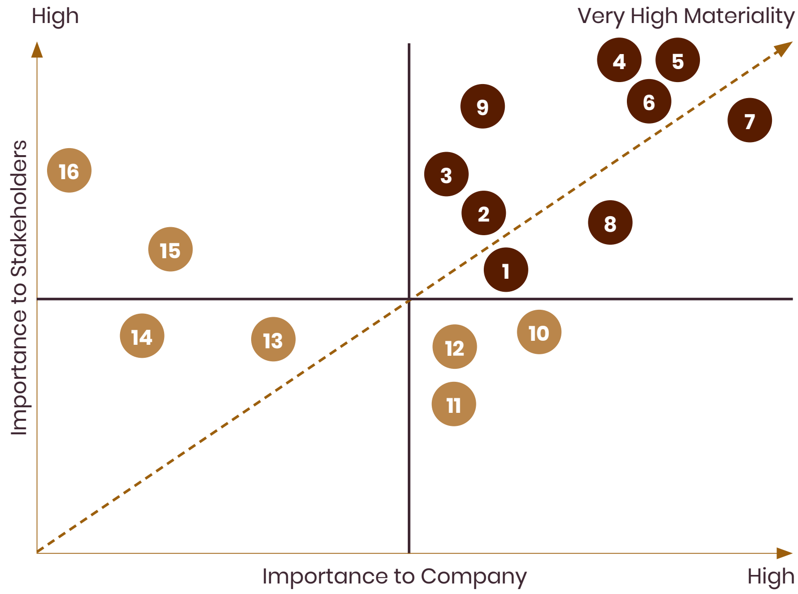
Gagasan Nadi Cergas Sustainability Pillar	Material Matters
Dynamic Work Force	1. Employment 2 Training and Education 3. Employees' Welfare and Wellbeing
Innovative and Good Governance Culture	4. Economic Sustainability 5. Code of Ethics and Conduct 6. High Quality of Product and Services 7. Fair and transparent procurement activities
Environment, Safety and Health Stewardship	8. Environment, Safety and Health Controls
Nurturing the Community and Society	9. Corporate Social Responsibility

Sustainability Report (Cont'd)

MATERIALITY MATRIX

In 2019, we selected material issues to focus on based on the GNCB's Sustainability's Pillar.

1 Employment
2 Training and Education
3 Employees' Welfare and Wellbeing
4 Economic Sustainability
5 Code of Ethics and Conduct
6 High Quality of Product and Services
7 Fair and transparent procurement activities
8 Environment, Safety and Health Controls
9 Corporate Social Responsibility
10 Authority and Regulator Relationship
11 Privacy and Data Protection
12 Energy Efficiency
13 Product Innovation (Green Building)
14 Security
15 Ecosystem
16 Carbon footprint



SUSTAINABILITY ACTIVITIES

1. Innovative and Good Governance Culture

- ***Supporting Economic Sustainability***

The development of the Malaysian economy is precursor to population growth and increased demand for commercial and residential properties and developments.

To that end, the Group has played its part in contributing to Malaysia's economic development via the provision and construction of affordable housing and concession projects, thus helping to transform the nation's landscape and enhancing the lives of many Malaysians.

The Group has secured more than RM3 billion worth of projects across the country in the past two decades, hence not only assisting in providing employment opportunities to the public but also benefitting the public by improving accessibility to various amenities and developments.

The Group continues to play a major role in securing and sustaining various essential building projects, such as those listed below.

Key projects in which the Group is primarily involved in 2019 include the construction of ***Rumah Selangorku in Putra Heights in Selangor***, consisting of 1,700 apartment units as well as related facilities such as car parks, multi-purpose halls, security guardhouses, and electrical supply units among others.

The second project is the construction of ***Rumah Selangorku in Bandar Bukit Raja***, a project that comprises the construction of two blocks of 16-storey buildings of apartments units (totaling 570 units) with the additional construction of car parks, a surau, a multi-purpose hall, and electrical supply facilities among others.

We also commenced construction for Cadangan Membina Pembangunan ***Perumahan Penjawat Awam Malaysia at Ulu Yam***. Phase 1 of the project which entails the construction of 1,475 residential units on a 116.14 acre land.

These projects, among others, provide work for the Group's partners and contractors, which in turn contribute in creating a productive economy.

- ***Practising Code of Ethics and Conduct***

We continue to value our business relationships with our interested parties and endeavor to sustain this relationship for the long-term via strengthening shared values of professionalism, integrity, and ethics.

The Group has long maintained integrity in all its operations and dealings both internally and externally. We have consistently communicated the importance of good governance to all interested parties and have received their positive support.

The Group has established the following policies and code as a guide to all employees and our interested parties:
› Whistle-blowing Policy
› Insider Trading Policy
› Internal Control and Risk Management Policy
› Code of Ethics and Conduct
› No Gift Policy
› Anti-Bribery and Corruption Policy

We have also adhered to the Malaysia Anti-Corruption Commission Act 2009 (Amendment 2018) and equipped the Group with adequate procedures to prevent any activity that may lead to corruption by or of the person associated in the Company.

Sustainability Report (Cont'd)

SUSTAINABILITY ACTIVITIES (CONT'D)

1. Innovative and Good Governance Culture (Cont'd)

- ***Delivering High Quality Product and Services***

As one of the leading construction groups in Malaysia, the Group constantly strives to deliver high-quality products and services to meet our clients' expectations. We adopt and implement quality workmanship for various elements of building construction work such as architectural, mechanical and electrical and external works.

The quality of workmanship of construction works is assessed according to the requirement of QLASSIC standard CIS 7:2006 (first edition) and CIS 7:2014 (revised edition). Internally, we have dedicated quality inspectors to conduct internal assessments on current projects on a regular basis. We have further improved our task force on QLASSIC assessment by engaging an external consultant to educate us on the important aspect of quality workmanship and cost effectiveness.

Additionally, we ensure the Group's Quality Policy is achieved via strict adherence and adoption of the quality management system principles and requirements from authorities and regulators. The Group has also been audited and successfully certified as ISO9001:2015 compliant, with the validity period till 26 May 2021. This certification showcases our high performance and effectiveness in maintaining an internationally recognised quality management system.

Based on our internal initiatives and compliance programmes, we strongly believe we are able to enhance our product's quality and services in order to achieve greater customer satisfaction.

Additionally, we also ensure our facility management services segment provide excellent services to the clients thus meeting all key performance indicators ("KPIs"). Our facility management services encompass the maintenance of a 5,000 student hostel in IIUM, Kuantan by following the Planned Preventive Maintenance ("PPM") schedule. The PPM is conducted on a daily, weekly, monthly or quarterly basis according to the agreement and Garis Panduan Penyelenggaraan Berjadual Bangunan Kerajaan. Facility management providers are required to promptly attend to all client's complaints. The severity of the complaints necessitates the speedy action hence requiring excellent response time.

Furthermore, we also regularly conduct a Customer Satisfaction Survey every quarter to obtain feedback on our overall performance against the pre-agreed KPIs. In essence, we will continue to strive to improve our performance by being more responsive and offering proactive customer services.

To ensure that we meet the operations standard, our team constantly liaises with the authorities in a bid to improve our quality of services. Notably, we have obtained and renewed our fire certificate for the building premises, thus assuring that our systems are in good and satisfactory condition.

- ***Fair and Transparent Procurement Practices***

The Group conducts various internal assessments and evaluations with subcontractors, consultants, vendors and suppliers in managing our resources and materials. The procedures to ensure fair and transparent procurement practices are as follows:

- Open tender and transparent evaluation of quotations;
- Fair selection and appointment; and
- Performance monitoring and evaluation

To ensure due diligence on risk control for all our projects, we evaluate our appointed sub-contractors, consultants, vendors and suppliers on a regular basis and eliminate non-performing providers from the approved list.

2. Environment, Safety and Health Stewardship

Environment, Safety and Health Controls

- ***Zero Lost Time Injury***

The Group strongly emphasises the safety of partners, contractors, subcontractors, employees and on-site workers at all times. Our philosophy of 'Think Safe, Act Safe and Be Safe' is well demonstrated in Bandar Bukit Raja Rumah Selangorku project in which we successfully recorded one million man hours on the project without any lost time injury ("LTI") since the commencement of the project in 26 October 2016. From the commencement date, the project successfully achieved zero LTI at 2,550,147 man-hours.

The Zero LTI achievement is an industry-standard benchmark used by many organisations involved in heavy construction and industrial processes, and demonstrates the broad and effective awareness amongst workers and teams in carrying out their works.

The Group celebrated this achievement with a commemorative event on 27th June 2019 at the function hall of Rumah Selangorku, in recognition of our sub-contractors' continued support, effort and teamwork in achieving Zero LTI in one million man hours. The Zero LTI achievement is based on reported results of non-fatalities, zero permanent disabilities and zero time lost cases since the project's commencement.

Sustainability Report (Cont'd)

SUSTAINABILITY ACTIVITIES (CONT'D)

2. Environment, Safety and Health Stewardship (Cont'd)

- ***Campaign for Environment and Worker Welfare***

  In May 2019, Gagasan Nadi Cergas Berhad initiated and executed a Group-wide campaign on the importance of a clean work environment as well as the importance of worker welfare on-site. This was also extended to all business partners and sub-contractors to recognise their contributions to the overall wellbeing.

During the second and third quarters of 2019, Nadi Cergas initiated a Company-wide campaign on "Our Environment and Workers' Welfare" at our project sites – RSKU Putra Heights, MRSM Bagan Datuk and Hospital Serdang.

We gathered more than 100 staff and approximately 1240 workers from 48 strategic partners and sub-contractors to foster awareness and communicate our message of "We Care & We Make Better" as well as to carry out environmental activities.

RSKU – Putra Heights






MRSM Bagan Datuk




Sustainability Report (Cont'd)

SUSTAINABILITY ACTIVITIES (CONT'D)

2. Environment, Safety and Health Stewardship (Cont'd)

- ***Campaign for Environment and Worker Welfare** (Cont'd)*

Hospital Serdang





To encourage buy-in from all project site staff and workers, Nadi Cergas distributed the following items for free:
- Water tumbler – to eliminate single-use plastic bottles.
- Food Container – to phase out non-biodegradable Styrofoam food containers.
- Tote Bag – to replace plastic bags

Approximately 800 workers were provided with these goods by Nadi Cergas at the Putra Heights and MRSM Bagan Datuk project sites.

We also conducted a campaign to collect plastic bottles at our project sites where we retrieved more than 1,200 pieces of single-use plastic bottles. This campaign was aimed to:
- Reduce plastic pollution,
- Eliminate potential mosquito breeding grounds, and
- Recycle plastic bottles to make mosquito traps.

We provide free water tumbler, food container and tote bag


Collecting plastic bottle


Demonstration on how to make mosquito trap by using plastic bottle

The mosquito trap procedure

Sustainability Report (Cont'd)

SUSTAINABILITY ACTIVITIES (CONT'D)

2. Environment, Safety and Health Stewardship (Cont'd)

- ***Campaign for Environment and Worker Welfare*** *(Cont'd)*

We Care Environment And Workers' Welfare

WELLBEING
- *Clean treated water*
- *Subsidised water*
- *Easily accessible*

HEALTHY LIFE
- *Sports courts (i.e. volleyball, soccer, sepak takraw)*
- *Sport equipment (i.e. football, crickets, carom board).*

SAY NO!
- *NO single use plastic bottles*
- *NO Styrofoam food containers*
- *NO plastic bags*
- *Less mosquito breeding*

In the spirit of promoting good health, we also provide workers with sports amenities and sports equipment (wherever possible), so that they would have access to recreational sports during their downtime and off-hours. This is exemplified through our efforts in constructing basic volleyball & sepak takraw courts, make-shift football and cricket fields as well as adding a carom board at the restricted site area.

The campaign also inculcated greater environmental and worker welfare practices at all work sites under Nadi Cergas' responsibility.

Sustainability Report (Cont'd)

SUSTAINABILITY ACTIVITIES (CONT'D)

3. Nurturing the Community and Society

Corporate Social Responsibility

- ***We Care Passionately, We Make it Happen***

The Group is a strong believer in nurturing and strengthening its relationships with the wider community, as such, we undertook numerous activities throughout the year to contribute to society as well as participate in meaningful causes.

In December 2018, the Company funded and constructed a surau at Institute of Islamic Understanding Malaysia ("IKIM"). The Surau was completed in December 2019 and currently serves as an Islamic place of worship that fosters a stronger sense of the diverse landscape of our country, demonstrating the company's commitment to all sections of the community. IKIM serves as an institute founded to help further understanding of Islam.

In May 2019, the Group contributed to Yayasan Tun Hamdan in the form of monetary donation which was channeled to zakat for orphans and a scholarship fund for students. The handover ceremony was held at the Tunku Abdul Rahman school in Ipoh.

In June 2019, we also provided monetary contribution to supply and install praying mats under the ***"Waqaf Project"*** for Mahallah Khalid Al Walid at IIUM Kuantan, Pahang. This contribution is aimed at providing better infrastructure to encourage the culture of daily congregational prayers among mahallah residents in a better environment.

Equally significant was the company's monetary contribution for the construction of a surau at the Sekolah Kebangsaan Bandar Seri Putra, as well as the giving monetary aids to students of low-income B40 families of Sekolah Berasrama Penuh.

In line with one of the Group's key sustainability efforts of uplifting the lives of communities in which we operate, we participated ***Project Qaseh*** during Ramadhan with Universiti Teknikal Malaysia Melaka. The project which involved the provision of essential goods and monetary aids in the form of duit raya to approximately 70 orphans, was for the spirit of sharing joy in the glorious month of Ramadhan.

In May 2019, the Group also sponsored a ***Ramadhan bazaar in Putrajaya*** to help small traders and provide Muslim community with access to food and drink for their breaking of fast. The bazaar from early May to early June, was part of the Group's efforts in giving back to the communities in which we operate.

Additionally, 28 undergraduates of the Faculty of Economics from Universiti Sains Islam Malaysia were fortunate recipients of monetary assistance from the Group in October 2019 for the purpose of experiential learning to Osaka, Japan.

Further activities in giving back to communities were our involvement in providing sponsoring for a ***Half Marathon*** in November 2019, which is held at the International Islamic University Malaysia campus in Kuantan, Pahang.

- ***Social Responsibility Efforts***

In 2019, the Group yet again championed the cause of supporting the medical community's on-going need for blood supply in hospitals. Through our full-day blood donation ***"Find the Hero in You"*** drive, approximately 55% of participants successfully donated their blood for a worthy cause. The event was held at the Group's headquarters in Petaling Jaya, Selangor.

Sustainability Report (Cont'd)

SUSTAINABILITY ACTIVITIES (CONT'D)

3. Nurturing the Community and Society (Cont'd)

- ***Social Responsibility Efforts*** *(Cont'd)*

  The Company also organised a ***Book Fair Carnival*** to advocate the importance of learning and studying. The event held in March 2019 at Putrajaya, was fully sponsored by the Company.

  In September 2019, the Group took the opportunity to sponsor a ***Doa Selamat event*** for the residents and community at Precinct 11 in Putrajaya which was attended by approximately 200 people from the neighboring community.

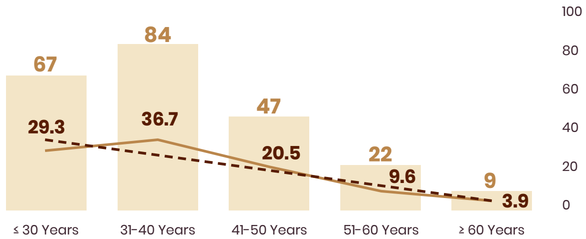
4. Dynamic Work Force

As employees form the engine of any corporation and organisation, it is important that employees foster a sense of community as well as to attain a healthy work-life balance so that they stay productive and engaged. Additionally, employees were also the recipient of awareness campaigns so that they understand the impact of their actions at work, and help to create a safe and responsible environment at work.

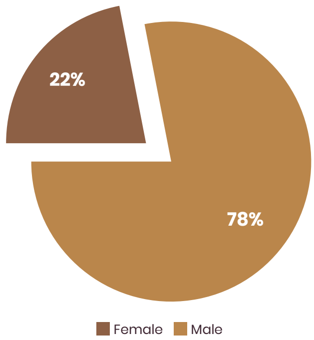
Providing Employment Opportunities

At all times, the Group is highly dedicated to optimise human needs in relation to its business capacity. Therefore, we ensure that manpower is sufficient and fully utilised to support operational excellence and business growth.

Workforce by age 2019



Workforce by Gender 2019



The Group is also a firm supporter of the Government's initiative to provide job opportunities to unemployed graduates, especially those in the B40 category. To that end, we participated in the ***"Protégé Program"*** and successfully absorbed 69 unemployed graduates in 2019 to support our operations at head office and project sites.

Sustainability Report (Cont'd)

SUSTAINABILITY ACTIVITIES (CONT'D)

4. Dynamic Work Force (Cont'd)

Training and Education

Knowledge Empower Us, Knowledge is Empowerment

In today's competitive marketplace, we believe in equipping our employees with relevant knowledge to raise their competency levels and skill sets for the benefit of the employee as well as the Group.

Therefore, the Group's senior management recognised the need to groom our talent via instilling a culture of continuous learning and acquiring knowledge from various sources in the spirit of seeing the "big picture', which is in line with the Group's training and education ethos.

In 2019, we conducted several ***Compliance Programmes*** at all levels within the Group. It is important for Company to foster a culture of due diligence across all its business segments, as it allows us to share information on compliance processes and risk processes, increase protection against reputational risks; and foster stronger relationships with stakeholders.

In 9 July 2019, awareness trainings were conducted to educate employees on the importance of ***ISO14001:2015 (Environment Management System) and ISO45001:2018 (Occupational Safety and Health Management System)*** standards. The training was participated by 40 employees and was conducted by Encik Selamat from CIMY International Standards Training. The aim of the event was to brief the participants on the impact and structure of these standards.

Following the above awareness trainings, 10 employees were selected to attend the ***implementation training on ISO14001:2015 (Environment Management System) and ISO45001:2018 (Occupational Safety and Health Management System)*** standards training in July 2019. The event held at Hospital Serdang was also conducted by Encik Selamat. The aim of the training was to prepare the Group in its journey towards the said certification via instilling the importance of practicing compliance and adherence to the Group's policies and procedures.

We have also engaged a legal firm in October and November 2019 to brief on the salient points of the MACC to the Board, Key Senior Management and employees. The session has provided a basic understanding of the provisions of the law as well as the ***"Guidelines on Adequate Procedures"***. Through this approach, we were made aware of the potential areas of corruption risk which warrant a greater level of adequate procedures and risk management.

In October 2019, the Group provided ***Professional Administrative Skills Training*** for 28 employees, conducted by Miss Carol Chiam from Scientia Professional Training Corporation.

In the same month, the company rolled out the ***New Talent Management Program*** to advocate awareness among employees regarding the Group's philosophies, core values and the importance of compliance with the Group's code of conduct and ethics. The speakers representing the management team were Ms. Chew, Mr. Lee Heng Kheong and Ms. Nadya. During their sessions, they shared their insights and expert expositions with the audience in attendance.

Sustainability Report (Cont'd)

SUSTAINABILITY ACTIVITIES (CONT'D)

4. Dynamic Work Force (Cont'd)

Training and Education (Cont'd)

We also carried out an ***Emergency Response Team ("ERT") Training and Fire Drill Exercise*** in IIUM, Kuantan, conducted by Jabatan Bomba dan Penyelamat Malaysia. A total of 597 students attended the exercise. This programme was to ensure all ERT representatives including our staff were given proper training regarding building evacuation in case of emergency.

5@5 Program

We also conducted a weekly social interaction programme called 5@5, whereby employees and senior management will gather at 5 pm, on Friday to discuss matters involving healthy lifestyle, working culture and general wellbeing at work.

The 1st ***5@5 Program*** held on 6th September 2019, was attended by 25 participants from the various departments of the Group. The trainer was Mr. Ng Chee Kai, Senior Assistant Director from the Ministry of Health.

The session was aimed at advocating healthy eating as part of the Malaysian Healthy Plate campaign of "#sukusukuseparuh", or "quarter, quarter, half", indicating ideal plate portions of a quarter for protein, a quarter for complex carbohydrates, and half for fruits and vegetables.

Grand Tool Box Meeting

We have our dedicated project team to lead at our Project P11 in Putrajaya to organise a grand tool-box meeting prior to the commencement of daily tasks for all construction related jobs. The aim of this 10-15 minutes meeting is to ensure that control measures are implemented to mitigate risks associated with their task on that particular day.

The tool box was conducted for each construction related jobs by supervisor. Our Safety and Health Officers also trained the supervisors on how to conduct effective tool-box talk for greater work efficiency.

- ***Welfare and Wellbeing***

  We are a big believer in healthy engagements with our employees, as our employees are our greatest asset. ***There is no "I" in a Team and we believe in Synergy***.

  In February 2019, we celebrated ***Chinese New Year*** by organising an Open House, whereby members of the public were invited to attend alongside with employees, management and friends to celebrate the joyous occasion in the year of the boar.

  In May 2019, the Group held a ***Movie Night outing*** at Alamanda Putrajaya and treated 120 employees to watch the popular Avengers movie. During the event, we had informal conversations with our employees to discuss matters involving process improvement.

The following month, in June 2019, the Group held its annual ***Hari Raya Open House***. During this event, our employees were treated to traditional food and drinks. The event signifies the importance of such cultural celebration as well as to provide a sense of community to our employees.

Sustainability Report (Cont'd)

SUSTAINABILITY ACTIVITIES (CONT'D)

4. Dynamic Work Force (Cont'd)

Training and Education (Cont'd)

- ***Employees Engagement*** *(Cont'd)*

  On the social front, employee cohesiveness was further enhanced by our ***Bowling Night*** at Sunway Mega Lanes. The event was participated by 30 talented bowlers.

  In conjunction with the durian season, we had a ***Durian Free Flow*** event for all staff, from both the head-office and project sites to savour the king of fruits. This programme was held during the month of July-August 2019 after working hours and attracted approximately 100 employees.

- ***Recognition and Awards***

  5 Stars SHASSIC Award

  Congratulation to Nadi Cergas Sdn Bhd team for achieving a phenomenal ***SHASSIC score of 97% (5 Stars)*** in meeting the requirements on safety and health performance in construction works/project at Maktab Rendah Sains Mara ("MRSM"), Bagan Datuk, Perak on 24-25 April 2019.

Kudos to Wan Muhd Najib, Safety and Health Officer and PJH-11 Team

Congratulation to Nadi Cergas Sdn Bhd and project team Project Site – PJH 11, Putrajaya who received 2 awards from our client, Putrajaya Holding Berhad for Excellent HSE Management System 2019. As a Company, we received the ***Silver Award – Contractor Category*** and for personal achievement, we congratulated to our dedicated Safety and Health Officer, who received the ***Excellent HSE Ownership and Leadership 2019 - Gold Award*** in the area of Safety and Health Management at Project Site – PJH 11, Putrajaya. He has shown good spirit and strong commitment to ensure all workers that our site condition is safe.

Staff Appreciation

As part of our appreciation for employee dedication and loyalty, we award employees who have served the company for more than 15 years. In 2019, one (1) employee was awarded with our Long Service Award and a 50-gram gold bar as our token of appreciation for her loyal service and outstanding contribution.

The above activities fully demonstrate the Group's holistic commitment to sustain and serve the best to communities where we have business operations, and for the betterment of our society in the long-term.

Corporate Governance Overview Statement

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 Gagasan Nadi's business towards its mission of sustainable growth.

This statement is prepared in compliance with ACE Market Listing Requirements of the Bursa Malaysia Securities Berhad and it is to be read together with the Corporate Governance Report 2019, 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 is 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 in the Group;
- objectively review, adopt and monitor the implementation of the Group's strategic plans as proposed by the Management;
- oversee the conduct of the Group's business to ensure it is being properly managed;
- oversee and evaluate 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;
- ensure there is orderly succession of senior management positions of sufficient calibre;
- oversee the development and implementation of shareholder communications policy; and
- review 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 are delegated through the Group Managing Director ("GMD") so that the authority and accountability of management are considered to be the authority and accountability of the GMD as so far as the Board is concerned.

Other than the GMD, the Board also delegates certain responsibilities to Board Committees which operate within their clearly defined terms of reference. The Board Committees are Audit and Risk Management Committee ("ARMC"), 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, Independent Non-Executive Chairman and the GMD are listed in the Board Charter, which is available on the corporate website: www.nadicergas.com.

The positions of the Chairman and the GMD 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 check and balance of power and authority between the Chairman and the GMD.

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 GMD, 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.

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 Committees via email or hard copy at least 5 business days prior to meetings.

The Board Charter 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 and Procedures 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 actions can be taken promptly to resolve them effectively.

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

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

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 who 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 certain 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 balance during boardroom deliberations and decision making. The Independent Directors also provide the Board with professional judgement, experience and objectivity without being overly subjected to pure operational considerations.

A brief profile of each Director is presented from pages 14 to 18 in the Profile of Directors section of the Annual Report.

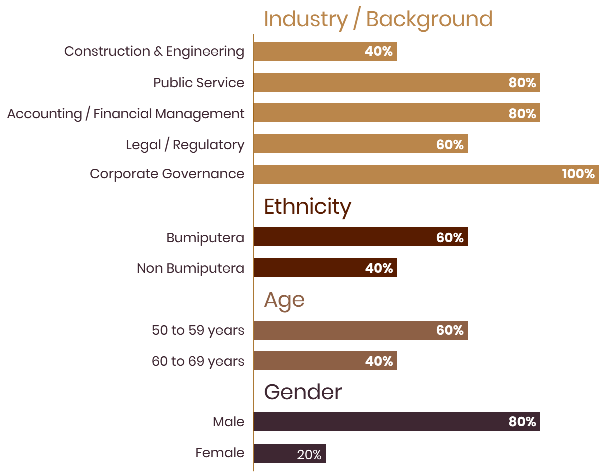
None of our Independent Non-Executive Directors had served the Company for a cumulative term of 9 years. The Company did not adopt a policy which limits the tenure of our Independent Non-Executive Directors to 9 years.

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 relation 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 skills, experience, age, cultural background and gender) of the Board.

The current board composition in terms of each of the Directors' 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, religion, or any other factors 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 are available on the Company's corporate website: www.nadicergas.com.

The Board's effectiveness is assessed on the following key areas: - composition, administration and process, accountability and responsibility, Board conduct, communication and relationship with Management, performance of the Chairman and GMD, 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 conducts annual assessment of Independent Directors to assess whether they continue to bring independent and objective judgement to Board deliberations. The Board also conducts peer and self-assessments 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 assessments, are shared with the Board to allow improvements to be undertaken.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

b. Board Composition (Cont'd)

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 FYE 2019, as reflected below: -

	No. Of Meetings Attended / Held			
	Board	Audit and Risk Management Committee	Nomination Committee	Remuneration Committee
Ir. Dr. Muhamad Fuad Bin Abdullah	7/7	6/6	2/2	1/1
Hj Wan Azman Bin Wan Kamal	7/7	-	-	-
Dato' Sri Subahan Bin Kamal	5/7	-	-	-
Professor Emerita Siti Naaishah Hambali	7/7	6/6	2/2	1/1
Chng Boon Huat	7/7	6/6	2/2	1/1

c. Remuneration Committee

The Board has established a formal and transparent process for approving the remuneration of the GMD, Executive Director, Non-Executive Directors and Key Senior Management.

The RC was established in 2018. The present composition of the RC consists of 3 members of the Board, all of whom are Independent Non-Executive Directors.

The primary objective of the RC is to establish, review and approve the remuneration packages of the GMD, Executive Director, Non-Executive Directors and Key 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 as well as retain right talents in the Board and Management to drive the Company's long-term objectives.

The RC in reviewing the remuneration policies, is of the view that the guidelines and set criteria for the remuneration packages for the Directors and Key Senior Management are fairly and appropriately remunerated according to the market practice and industry benchmarks, to remain competitive for talent attraction and retention.

The Terms of Reference of the RC are 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 the FY2019 are tabulated as follows: -

The Company

Directors	Fees	Salary	Bonus	Benefits in kind	Allowances	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors						
Hj Wan Azman Bin Wan Kamal	-	-	-	-	-	-
Dato' Sri Subahan Bin Kamal	-	-	-	-	-	-
Non-Executive Directors						
Ir. Dr. Muhamad Fuad Bin Abdullah	126	-	-	-	8	134
Professor Emerita Siti Naaishah Hambali	114	-	-	-	8	122
Chng Boon Huat	120	-	-	-	8	128
Total	**360**	**-**	**-**	**-**	**24**	**384**

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

c. Remuneration (Cont'd)

The Group

Directors	Fees	Salary	Bonus	Benefits in kind	Allowances	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	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	126	-	-	-	8	134
Professor Emerita Siti Naaishah Hambali	114	-	-	-	8	122
Chng Boon Huat	120	-	-	-	8	128
Total	**360**	**2,484**	**-**	**16**	**24**	**2,884**

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 and Risk Management Committee

The ARMC comprises of 3 Independent Non-Executive Directors. The ARMC is chaired by an Independent Non-Executive Director, Chng Boon Huat.

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. The Terms of Reference of the ARMC require a former key audit partner 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 Directors who possess the skills, experience, financially literate and equipped with the required business skills would be considered to be appointed as members of the ARMC.

The Terms of Reference of the ARMC are 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 Company's external auditors, Messrs Crowe Malaysia PLT and is 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 Management.

b. Risk Management and Internal Control Framework

The Board is cognisant that a robust risk management and internal control framework will assist the Group to achieve its strategic objectives, safeguard its assets and shareholders' investments. The Board, through its ARMC has established adequate policies and procedures for the oversight of the Group's risk management framework and internal control system.

The risk management framework includes maintaining a Risk Register with risk profile and action plans for mitigating the identified risks. The ARMC regularly reviews the risk management framework, key areas of identified risks and the mitigating measures taken by the Management to address the areas of key risks identified.

The internal audit function is carried out by an independent internal audit firm during the financial year. The outsourced internal auditors work closely with the QA/QC Department to carry out its internal audit activities and presents its internal audit reports to the ARMC for review on a quarterly basis.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT(CONT'D)

b. Risk Management and Internal Control Framework (Cont'd)

During the financial year, the Board is 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. The Board has in place an on-going process 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.

Details of the main features of the Company's risk management and internal control framework are further elaborated in the Statement on Risk Management and Internal Control of the Annual Report 2019 on pages 42 to 45.

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

a. Communication with Stakeholders

The Company is fully committed to maintain a high standard for the dissemination of relevant and material information to its shareholders to keep them informed of the Group's latest financial performance, its businesses and corporate developments. The Company also places strong emphasis on the importance of timely and equitable dissemination of information to its shareholders and stakeholders.

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.

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 venue of the second AGM of the Company as a public listed company was the Tropicana Golf & Country Resort, which is not in a remote location and its Notice of AGM and related circular to shareholders were 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 Key Senior Management were present at the AGM to respond to enquiries from the shareholders.

STATEMENT ON COMPLIANCE WITH BEST PRACTICES OF THE CODE

This Statement is prepared in compliance with Rule 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 2019 of the Company, which is available on the Company's corporate website: www.nadicergas.com.

The Board is of the view that this Corporate Governance Overview Statement has provided the information necessary to enable shareholders of the Company to evaluate how the principles and best practices as set out in the MCCG have been complied with since the Company's listing on 8 January 2019. The Board is committed to uphold the highest standards in Corporate Governance practices, professionalism and integrity in delivering the strategic objectives and sustainable performance of the Group over the long term.

This Statement was presented and approved at the Board of Directors' Meeting held on 22 June 2020.

Audit And Risk Management Committee Report

The Board of Gagasan Nadi Cergas is pleased to present the Audit and Risk Management Report for the FY2019.

1. COMPOSITION AND ATTENDANCE

The ARMC comprises three (3) members, all of them are Independent Non-Executive Directors. All of the Independent Non-Executive Directors satisfy the test of independence under Bursa Malaysia Securities Berhad ACE Market Listing Requirements (“ACE LR”). The ARMC meets the requirements of Rule 15.09 of 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. Accordingly, Gagasan Nadi complies with Rule 15.09(1)(c)(i) of ACE LR.

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. Hj. Muhamad Fuad Bin Abdullah	Member	Independent and Non-Executive Director
Professor Emerita Siti Naaishah Hambali	Member	Independent and Non-Executive Director

The Terms of Reference of the ARMC set out the authority, duties and responsibilities of the ARMC are accessible on the Company’s website at www.nadicergas.com.

2. MEETINGS

The ARMC held six (6) meetings in 2019 without the presence of the Executive Directors and management of the Company, except when the ARMC requested for their attendance. The GMD and Chief Financial Officer (“CFO”) were invited to all ARMC meetings to provide their inputs and advice as well as to provide clarification on audit issues and Group’s operations. The Head of QA/QC and Compliance attended all the quarterly ARMC meetings to present the Enterprise Risk Management Report as well as the internal audit reports prepared by an independent internal audit firm. The relevant responsible Management members of respective auditees were invited to brief the ARMC on specific issues arising from the audit reports or on any matters of interest.

During the financial year ended 31 December 2019, the meeting attendance record of each member is as follows:

Members	Number of Meetings Attended/Held
Chng Boon Huat	6/6
Ir. Dr. Hj. Muhamad Fuad Bin Abdullah	6/6
Professor Emerita Siti Naaishah Hambali	6/6

Subsequent to the ARMC meetings, the ARMC Chairman briefed the Board on matters discussed and deliberated at the ARMC meetings. The Group’s annual financial statements and quarterly financial reports which were presented to the ARMC for review, were also recommended to the Board for approval. The ARMC Chairman also conveyed to the Board matters of significant concerns as and when raised by the external auditors or the internal auditors.

Minutes of each ARMC meeting were recorded and tabled for confirmation at the following ARMC meeting.

3. SUMMARY OF ACTIVITIES

The ARMC’s work during 2019 comprised the following:

3.1 Financial Reporting

The ARMC reviewed the audited financial statements for the FY2018 and all the quarterly financial reports for announcements to Bursa Malaysia Securities Berhad (“Bursa Securities”) at the respective ARMC meetings, before recommending the same to the Board for approval.

The CFO was present during all the meetings to present and explain the financial performance of the Group to the members of ARMC. He also assured the ARMC that the financial statements were prepared in compliance with the relevant Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

Audit And Risk Management Committee Report (Cont'd)

3. SUMMARY OF ACTIVITIES (CONT'D)

3.1 Financial Reporting (Cont'd)

To ensure 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 were appropriate;
iii. Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs;
iv. Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs, and
v. The financial statements did not contain any material misstatements and gave a true and fair view of the financial position of the Group and the respective companies within the Group for the FY2018

3.2 External Audit

The ARMC on 23 April 2019 recommended to the Board for the re-appointment of Crowe Malaysia PLT as the Company's external auditors, after the ARMC has assessed and satisfied with the Auditors' suitability, objectivity, independence 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 2018.

On 25 November 2019, the ARMC reviewed, deliberated and approved the Audit Planning Memorandum for the FY2019 which outlined its engagement team, audit approach, audit timeline and the areas of audit emphasis.

The ARMC also had a private meeting with the external auditors without the presence of the Executive Directors and management on 25 November 2019 to discuss the new corporate liability provision of Section 17A of the MACC, the effectiveness of the Group's system of internal controls and Management's and staff's cooperation with the external auditors. The ARMC Chairman also requested the external auditors to report to him if they were aware of incidents or unusual transactions in the course of their audits. There were no major concerns raised by the external auditors during the engagement session.

During the financial year, the ARMC has assessed the independence and suitability of the external auditors as follows:

- Assessed the quality of audit including the external auditors' audit performance, communications with ARMC, its objectivity and professionalism,
- Reviewed the non-audit services provided by the external auditors, and
- Reviewed the assurance given by the external auditors confirming their independence throughout the financial year under review.

3.3 Internal Audit

The Internal Audit and Compliance ("IAC") was formed as a department on 28 October 2016 and renamed it QA/QC and Compliance Department on 26 August 2019 to oversee the Group's Enterprise Risk Management, IAC functions. The main responsibilities of the Department is to independently evaluate and recommend improvements to the internal control system, governance process and risk management framework established and approved by the Board.

During the financial year under review, the following key audit areas were conducted based on the annual Internal Audit plan approved by the ARMC:

Period	Audit Date	Audit Areas
Q1	22/1/2019 - 31/1/2019	• Human Resources • Information Technology • Administration of Office Management
Q2	14/5/2019 - 15/5/2019	• Construction Site – Hospital Serdang
	13/6/2019 - 14/6/2019	• Finance
Q3	24/9/2019 - 3/10/2019	• Property Development • Contract • Procurement • Concession
Q4	2/1/2020 - 3/1/2020	• Concession - UTeM, Melaka
	8/1/2020 - 10/1/2020	• Concession – IIUM, Kuantan • Facilities Management – IIUM, Kuantan

The following activities were carried out by ARMC during the financial year:

a. Reviewed Internal Audit reports which included internal audit findings, recommendations for improvements and Management's commitment on corrective actions to be taken timely and appropriately.

b. Reviewed and approved the Internal Audit plan, its scope of work and the fees for the outsourced internal auditors for the FY2019.

Audit And Risk Management Committee Report (Cont'd)

3. SUMMARY OF ACTIVITIES (CONT'D)

3.4 Enterprise Risk Management

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 heads of department and key representatives of each business segment, have to ensure that the plans and corrective actions are implemented effectively.

For FY2019, ARMC as its meeting on 26 February 2020 had reviewed the following:

a. Enterprise Risk Management at Corporate, Business and Operation level to ensure that all major risks were well managed and reported to the Board; and

b. Enterprise Risk Management Report of the Group for year 2019 based on the approved ERM framework which included the establishment of key mitigation strategies for the key areas identified and monitoring of the implementation effectiveness.

3.5 Internal Control Assurance

The Head of QA/QC and Compliance who is responsible for the internal control assurance, has updated the ARMC on the following internal control assurance activities:

a. Review of internal audit activities for key business functions in order to maintain a sound internal control system to safeguard the Group's assets and shareholders' investments;

b. Review of internal audit reports issued by the internal auditors and follow-up of their observations, recommendations and Management's corrective actions to be taken;

c. Ensure Management and internal auditors have common understanding of the issues raised and the Management are committed to address all the issues raised;

d. Ensure continuous compliance of ISO9002:2015 certification for Quality Management System; and

e. Ensure follow-up findings issued by external auditors and ensure the recommendations provided to Management are resolved within the agreed timeline.

The Internal Auditors have concluded that:

- The Management is aware of their responsibility for maintaining a sound internal control system to safeguard the Group's assets and shareholders' investments; and
- The Group provides adequate and effective internal control system on the relevant focus areas to safeguard shareholders' interest. There are no major weaknesses on the existing level of operations, nevertheless on-going initiatives to improve the level of operations and internal control systems are still continuously undertaken by the Management.

3.6 Related Party Transaction

In accordance with the ACE LR, the ARMC reviews all related party transactions (if any) and recurrent related party transactions in accordance with the Company's policies and procedures to monitor, track and identify all related party transactions.

The Management reports to the ARMC on a quarterly basis on all the recurrent related party transactions. The ARMC will review the transactions to ensure that they are at arm's length basis, on normal commercial terms, on terms not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders.

INTERNAL AUDIT AND COMPLIANCE FUNCTION

The IAC function is led by QA/QC and Compliance Department which is to support the ARMC in discharging its responsibilities by providing regular reviews on the effectiveness and integrity of the internal control system, risk management framework and compliance with the Group's established policies and procedures, so as to provide reasonable assurance that the risk management and the system of internal control are sound and effective.

The Company has appointed an independent internal audit firm, Sterling Business Alignment Sdn Bhd to assist the QA/QC and Compliance Department in establishing a more systematic and disciplined approach to improve the effectiveness of the internal control system.

The outsourced internal auditors undertake the internal audit function independently from the Management from Q3, 2019 onwards by performing systematic reviews of the governance, risk and internal control system of the Group as per the Internal Audit Plan approved by the ARMC on 2 January 2019. Prior to this, the internal audit function was undertaken by the QA/QC and Compliance Department.

After performing the internal audit review, an Internal Audit Report which includes the audit findings and recommendations together with Management's responses will be produced and presented to the ARMC for review and approval on a quarterly basis.

Findings by of the internal audit review will also be communicated through the QA/QC and Compliance Department to respective business functions and departments in order to effectively implement changes and resolve issues within a timely manner.

With the assistance from the outsourced internal auditors, the QA/QC and Compliance Department can put more focus on improving the Group's internal control, risk management and compliance to meet requirements set by the industry and various certification boards.

Additional Compliance Information

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 2018. 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. As at the end of FY2019, the gross proceeds of RM42.00 million raised from the Initial Public Offering ("IPO") have been utilised in the following manner:

Utilisation of proceeds	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Estimated timeframe for utilisation from the date of listing
Funding for the AFF Mixed Development	14,000	6,585	7,415	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	5,140	1,360	Within 24 months [(1)]
Working capital for a construction project	16,500	16,500	-	-
Estimated listing expenses	5,000	5,000	-	-
Total	**42,000**	**33,225**	**8,775**	

Notes: -

1. *As provided in the Company's announcement made on 26 February 2020, the estimated timeframe for utilisation has been extended for an additional twelve (12) months to 8 January 2021.*

AUDIT AND NON-AUDIT FEES

During FY2019, 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	59	167
Non-Audit Fees	45	157

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.

Statement On Risk Management And Internal Control

INTRODUCTION

The Board is pleased to present the Statement on Risk Management and Internal Control for the FY2019 issued in compliance with Rule 15.26(b) of the ACE LR Principle B of the MCCG with guidance from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

OUR RESPONSIBILITY

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

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

Position	Responsibilities
The Board	The Board is responsible for maintaining a sound internal control system and risk management framework of the Group.
ARMC Committee	ARMC Committee provides oversight on the adequacy and effectiveness of internal control systems and risk management framework.
Group Managing Director	Provides leadership and direction to the Group, to implement a sound risk management framework and an effective internal control system, as well as adopting good business practices and operational processes.
Chief Financial Officer	Provides assurance to the ARMC that adequate processes and internal controls are in place for accurate financial reporting and disclosure.
Internal and External Auditors	Provide assurance to the ARMC that the Group's internal control system, risk management framework and compliance practices are effective.
Heads of Department / Managers	Commit and support the Group's risk management framework, promote compliance and manage risks within their spheres of responsibilities.
Executives and Support Staff	Execute risk management in accordance with the internal processes and protocols of the Group.

OUR RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has delegated the responsibility of monitoring the Group's risk exposures, operating effectiveness of risk management and internal control system to the ARMC. The internal audit, compliance and risk management functions of the Company are under QA/QC and Compliance Department.

The Company developed and implemented a comprehensive risk management and internal control system based on the internal control framework issued by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO"). A risk registry was prepared 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 business 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 assurance against material misstatement or loss.

The ARMC focuses 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 & transparent as required by regulators and standard bodies.

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

Statement On Risk Management And Internal Control (Cont'd)

THREE (3) LINES OF DEFENCE

ARMC has clear direction and robust controls in managing the Company'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 / ARMC

Risk Management Sub-Committee & Top 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

GROUP POLICIES AND PROCEDURES

Our top 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 has been effective in achieving the desired level of compliance on the Group's policies and procedures.

a. Group Policies and Procedures are available and properly documented to ensure compliance with internal controls, relevant laws and regulations, which are subjected to regular reviews and improvement. These documents are made available to all employees and relevant stakeholders.

b. Established guidelines for recruitment, promotion, termination, human capital development and performance appraisal system, core values and competencies, enhancing of staff competency levels and measuring of employees' performance, have been disseminated to all employees.

c. Clearly defined levels of authority for the day-to-day business operations of the Group covering procurements, payments, investments, acquisition and disposal of assets are reviewed periodically and disseminated to all employees.

d. Adopting consistent and appropriate accounting policies in the Group's annual financial statements, and making prudent judgements and reasonable estimates in accordance with applicable accounting standards in Malaysia. Processes and controls are in place for effective and efficient financial reporting and disclosure in the annual and quarterly financial statements of the Group to give a true and fair view of the financial position and financial performance of the Group.

INTERNAL AND EXTERNAL AUDIT

The Board is fully aware of the importance of the internal audit function and has engaged an independent internal audit firm to provide independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

The internal audit, compliance and risk management functions are led by Ms. Nadya Naina Bt. Rahmat to carry out internal audit activities based on the Internal Audit Plan 2019 approved by ARMC. This will ensure that adequate scope and coverage of the Group activities are based on key risk areas identified.

The internal audit report is presented to the ARMC on a quarterly basis for review and deliberations.

3. REPORTING

RISK MANAGEMENT

The Board has an established ongoing process for identifying, evaluating and managing the significant risks encountered by the Group in accordance with the Guidance for Directors of Public Listed Companies on Statement on Risk Management and Internal Control. Risk management is an integral part of the business operations and this process goes through a review process by the ARMC.

To ensure that adequate controls are in place, the Management has:

- Clearly defined the reporting structures, roles and responsibilities;
- Adopted the Quality, Environment, Safety and Health Management System Manual, Group's Policies and Procedures;
- Embraced the "DO IT RIGHT THE FIRST TIME AND EVERY TIME" policy;
- Produced timely and accurate financial reports for all stakeholders;
- Adopted the "Plan-Do-Check-Act" problem-solving technique for continuous improvements;
- Regularly monitor the key performance indicators for better operational control; and
- Inculcated a robust risk governance and compliance culture.

During the financial year under review, a risk management and internal control system review was conducted for all business functions. The QA/QC and Compliance Deparment and the internal auditor report the results of the review to the ARMC on a quarterly basis.

Statement On Risk Management And Internal Control (Cont'd)

3. REPORTING (CONT'D)

RISK MANAGEMENT (CONT'D)

The Group identified significant risks and undertook mitigating actions within appropriate timeframes. The significant risks are outlined below:

Significant Risk for Financial Year End 31st December 2019			
Business Assurance	Political, Economic and Regulatory Risk	Cost of Construction	Quality of Workmanship

A. Business Assurance

Currently, the Company has no assurance in securing new external construction projects to replenish our order book. To manage this risk, the Company has:

i. Leveraged on our competency in building construction, to do our own property development business to expand our revenue stream and replenishes our construction order book. The Company currently has two property development projects named Antara Residence and Selangorku PPAM Selindung @ Ulu Yam;

ii. Applied for additional Certification on ISO14001:2015 and ISO45001:2018 to enable the Company to qualify for bidding of a wider variety of projects; and

iii. Enlarged the recurring income portfolio with the latest proposed acquisition of the Konsortium PAE Sepakat Group as stated in the Company's announcement made on 29 October 2019.

B. Political, Economic and Regulatory Risk

During the financial year under review, the Company is exposed to risk relating to Political, Economic and Regulatory changes such as:

- Political uncertainty that may affect the availability of new projects and the risk of early termination of existing projects;
- New tax/duty that may affect the profitability of the Company;
- Economic condition that may affect the purchasing power of our targeted customers; and
- Regulatory changes that may impact the way the Company conduct business.

The Company has ensured that all relevant employees are aware of the requirement to comply with the terms and conditions of existing contracts and any updated regulatory changes, so as to reduce the risk of termination of existing projects and non-compliance with regulation.

During the fourth quarter of 2019, the Company invited Mr. Alex Tan Chie Sian of Messrs Wong Kian Kheong to conduct workshops to explain the new provision of Section 17A Malaysia Anti-Corruption Commission Act 2009, to the Board, Key Senior Management and employees from all levels.
In conjunction with this new Amendment, the Company has also implemented a No Gift Policy and has communicated this Policy to all our external providers.

Key personnel in the Company have also attended an external workshop on Corporate Liability, Adequate Procedures and ISO:37001-Anti Bribery Management System that was organised by the Institute of Internal Auditors Malaysia to enhance their knowledge in formulating adequate procedures.

The Procurement Department of the Company also monitors fluctuation in prices of raw materials closely to formulate purchase plans to minimize the impact of any increase in raw material prices due to new taxation or duty.

The Company has joint-development with the government on affordable home projects to leverage on the government incentives and programs to lower our pricing and expand our targeted market.

C. Cost of Construction

The Company is also exposed to the risk of increase in the cost of construction that may arise from:

- Fluctuation in raw material prices and labour cost;
- Defect liability claims from customers;
- Liquidated damages or legal penalties arising from delayed completion of projects; and
- Project cost overrun and wastages.

To minimize the risk in this area, the Company is fully involved in the pre-construction planning phase for each project, anticipating and designing contingent plans to address all potential issues.

A competent supervisor is also appointed to monitor and report any irregular activities on-site to the Management during progress meetings. The reports are also brought up in regular management meetings to keep all Key Senior Management informed.

D. Quality of Workmanship

As the Company is highly dependent on workers of subcontractors and suppliers, there is a risk that the quality of workmanship is not up to standard and hence affecting the Company's reputation in the market place as a construction contractor.

To manage this risk, the Company continuously monitor and evaluate performance of subcontractors and suppliers based on our Construction Work Quality Manual. The Company also engages professional quality assessors to inspect the quality of workmanship and seek further advice from these professionals.

Statement On Risk Management And Internal Control (Cont'd)

INTERNAL AUDIT AND COMPLIANCE FUNCTIONS

The QA/QC and Compliance Department takes up the role of the Internal Audit, Compliance and Risk Management functions to evaluate 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 are reported to the appropriate levels of Management on an immediate basis. Briefing and hands-on programmes are conducted for all business segments 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.

The total cost incurred by the QA/QC and Compliance Department in discharging its functions and responsibilities for the financial year under review amounted to RM396,739.78 (2018: RM411,404.00) and the cost incurred for the outsourced internal audit firm, Sterling Business Alignment Consulting Sdn Bhd for the financial year under review amounted to RM13,651.74 (2018: RM85,000.00).

REVIEW OF STATEMENT

Pursuant to Rule 15.23 of the ACE LR, the external auditors, Crowe Malaysia PLT have reviewed this Statement for inclusion in the Annual Report for the FY2019 and have reported to the Board that nothing has come to their attention that causes them to believe that this Statement included in the Annual Report is not prepared, in all material aspects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is this Statement factually inaccurate.

The internal audit firm, Sterling Business Alignment Consulting Sdn Bhd has also confirmed that the Group's risk management and internal control system during the year under review, was adequate and effective.

CONCLUSION

The Board is of the view that the Group's risk management and internal control system for the year under review, and up to the date of approval of this Statement, is 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 risk management and 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 system is adequate and effective, in all material aspects, based on the framework adopted by the Group.

This Statement was approved by the Board on 22 June 2020.

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 their 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 2019 and of the financial performance and cash flows for the financial period ended on that date.

During the preparation of the financial statements for the financial year ended 31 December 2019, 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 22 June 2020.

Financial Report

Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM'000	The Company RM'000
Profit after taxation for the financial year	25,856	12,940
Attributable to:-		
Owners of the Company	25,284	12,940
Non-controlling interests	572	-
	25,856	12,940

DIVIDENDS

Dividends paid or declared by the Company since 31 December 2018 are as follows:-

Ordinary shares

	RM'000
In respect of the financial year 31 December 2019	
A first interim dividend of 0.5 sen per ordinary share, paid on 30 September 2019	3,765

On 26 February 2020, the Company declared a second interim dividend of 0.5 sen per ordinary share amounting to RM3,765,000 in respect of the current financial year, payable on 30 March 2020, to shareholders whose names appeared in the record of depositors on 13 March 2020. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2020.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

a. the Company increased its issued and paid-up share capital from RM95,444,108 to RM136,444,108 by way of an issuance of 140,000,000 new ordinary shares for a cash consideration of RM42,000,000.

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

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

Directors' Report (Cont'd)

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
Chng Boon Huat
Ir. Dr. Muhamad Fuad Bin Abdullah
Professor Emerita Siti Naaishah Hambali

Directors' Report (Cont'd)

DIRECTORS (CONT'D)

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
Lee Heng Kheong
Loh Soon Wah
Tan Keng Seng
Abdul Halim Bin Yusof (Appointed on 14 November 2019)

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 1.1.2019	**Bought**	**Sold**	**At 31.12.2019**
The Company				
Direct Interests				
Haji Wan Azman Bin Wan Kamal	561,916,663	-	(60,000,000)	501,916,663
Dato' Sri Subahan Bin Kamal	51,083,337	-	-	51,083,337
Chng Boon Huat	-	500,000	-	500,000
Ir. Dr. Muhamad Fuad Bin Abdullah	-	400,000	-	400,000
Professor Emerita Siti Naaishah Hambali	-	500,000	-	500,000

By virtue of their shareholdings in the Company, Haji Wan Azman Bin Wan Kamal, Dato' Sri Subahan Bin Kamal, Chng Boon Huat, Ir. Dr. Muhamad Fuad Bin Abdullah and Professor Emerita Siti Naaishah Hambali 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.

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 28 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 27 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, the amount of indemnity coverage and insurance premium paid for the directors of the Company were RM10,000,000 and RM16,000 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 33 to the financial statements.

Directors' Report (Cont'd)

SIGNIFICANT EVENT OCURRING AFTER THE REPORTING PERIOD

The significant event occurring after the reporting period is disclosed in Note 34 to the financial statements.

AUDITORS

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

The details of the auditors' remuneration are disclosed in Note 22 to the financial statements.

Signed in accordance with a resolution of the directors dated 22 June 2020.

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 117 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 2019 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 22 June 2020.

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 117 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Haji Wan Azman Bin Wan Kamal, NRIC Number: 610428-03-5465
at Kuala Lumpur in the Federal Territory
on this 22 June 2020

Haji Wan Azman Bin Wan Kamal

Before me
Datin Hajah Raihela Wanchik (No W-275)
Commissioner for Oaths

Independent Auditors' Report

To The Members Of Gagasan Nadi Cergas Berhad

(Incorporated in Malaysia)
Registration No: 201701024800 (1238966 - U)

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 2019 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 117.

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 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *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 19 to the financial statements

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.

How our audit addressed the Key Audit Matter

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.

Independent Auditors' Report

To The Members Of Gagasan Nadi Cergas Berhad (Cont'd)

(Incorporated in Malaysia)
Registration No: 201701024800 (1238966 - U)

Key Audit Matters (Cont'd)

We have determined the matters described below to be the key audit matters to be communicated in our report. (Cont'd)

Recoverability of Trade Receivables

Refer to Note 9 to the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
The trade receivables of the Group amounted to approximately RM626.88 million and it constituted 68% of the total assets of the Group. As at 31 December 2019, trade receivables that were past due amounted to RM26.42 million. The details of trade receivables and its credit risk have been disclosed in Note 32 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 the 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.

Independent Auditors' Report

To The Members Of Gagasan Nadi Cergas Berhad (Cont'd)

(Incorporated in Malaysia)
Registration No: 201701024800 (1238966 - U)

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional 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
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Chan Kuan Chee
02271/10/2021 J
Chartered Accountant

Kuala Lumpur
22 June 2020

Statements Of Financial Position

As At 31 December 2019

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	28,715	30,429	-	-
Inventories	6	64,976	69,861	-	-
Investments in subsidiaries	7	-	-	96,926	96,926
Right-of-use assets	8	3,553	-	-	-
Trade receivables	9	561,944	589,875	-	-
		659,188	690,165	96,926	96,926
CURRENT ASSETS					
Inventories	6	28,479	17,532	-	-
Contract assets	10	26,133	38,941	-	-
Trade receivables	9	64,940	76,815	-	-
Other receivables, deposits and prepayments	11	21,678	11,838	6,039	2,051
Amount owing by subsidiaries	12	-	-	23,989	-
Current tax assets		2,875	239	-	-
Fixed deposits with licensed banks	13	30,653	50,519	-	-
Cash and bank balances		92,920	23,187	17,734	68
		267,678	219,071	47,762	2,119
TOTAL ASSETS		926,866	909,236	144,688	99,045
EQUITY AND LIABILITIES					
EQUITY					
Share capital	14	136,444	95,444	136,444	95,444
Retained profits/(Accumulated losses)		304,815	283,302	7,920	(1,255)
Equity attributable to owners of the Company		441,259	378,746	144,364	94,189
Non-controlling interests	7	4,916	4,319	-	-
TOTAL EQUITY		446,175	383,065	144,364	94,189
NON-CURRENT LIABILITIES					
Borrowings	15	284,695	316,667	-	-
Deferred tax liabilities	16	79,597	78,845	-	-
		364,292	395,512	-	-
CURRENT LIABILITIES					
Trade payables	17	70,465	73,666	-	-
Other payables and accruals	18	7,016	9,155	274	1,514
Amount owing to a subsidiary	12	-	-	-	3,342
Borrowings	15	37,356	46,549	-	-
Current tax liabilities		1,562	1,289	50	-
		116,399	130,659	324	4,856
TOTAL LIABILITIES		480,691	526,171	324	4,856
TOTAL EQUITY AND LIABILITIES		926,866	909,236	144,688	99,045

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

Statements Of Profit Or Loss And Other Comprehensive Income
For The Financial Year Ended 31 December 2019

		The Group		The Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
REVENUE	19	289,631	300,092	15,000	-
COST OF SALES		(235,786)	(238,402)	-	-
GROSS PROFIT		53,845	61,690	15,000	-
OTHER INCOME		33,299	33,573	578	-
		87,144	95,263	15,578	-
SELLING AND DISTRIBUTION EXPENSES		(234)	(181)	(6)	(1)
ADMINISTRATIVE EXPENSES		(30,906)	(26,052)	(2,505)	(2,662)
OTHER EXPENSES		(3,256)	(3,052)	(2)	-
FINANCE COSTS	20	(18,392)	(19,080)	-	-
NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS	21	524	(1,263)	-	-
PROFIT/(LOSS) BEFORE TAXATION	22	34,880	45,635	13,065	(2,663)
INCOME TAX EXPENSE	23	(9,024)	(12,843)	(125)	-
PROFIT/(LOSS) AFTER TAXATION		25,856	32,792	12,940	(2,663)
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL YEAR		25,856	32,792	12,940	(2,663)
PROFIT/(LOSS) AFTER TAXATION/TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		25,284	32,590	12,940	(2,663)
Non-controlling interests		572	202	-	-
		25,856	32,792	12,940	(2,663)
EARNINGS PER SHARE (SEN)	24				
- Basic		3.36	5.32	-	-
- Diluted		3.36	5.32	-	-

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

Statements Of Changes In Equity
For The Financial Year Ended 31 December 2019

	Note	Share Capital RM'000	Distributable Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
The Group						
Balance at 1.1.2018		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 31.12.2018/1.1.2019		95,444	283,302	378,746	4,319	383,065
Initial application of MFRS 16	35	-	(6)	(6)	-	(6)
Balance at 31.12.2018/1.1.2019 (restated)		95,444	283,296	378,740	4,319	383,059
Profit after taxation/Total comprehensive income for the financial year		-	25,284	25,284	572	25,856
Contributions by and distribution to owners of the Company:						
- Issuance of shares	14	42,000	-	42,000	-	42,000
- Transaction costs arising on share issue	14	(1,000)	-	(1,000)	-	(1,000)
- Issuance of shares to non-controlling interest in a subsidiary		-	-	-	25	25
- Dividends paid	25	-	(3,765)	(3,765)	-	(3,765)
Total transaction with owners		41,000	(3,765)	37,235	25	37,260
Balance at 31.12.2019		136,444	304,815	441,259	4,916	466,175

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

Statements Of Changes In Equity
For The Financial Year Ended 31 December 2019 (Cont'd)

	Note	Share Capital RM'000	(Accumulated Losses)/ Retained Profits RM'000	Total Equity RM'000
The Company				
Balance at 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 31.12.2018/1.1.2019		95,444	(1,255)	94,189
Profit after taxation/Total comprehensive income for the financial year		-	12,940	12,940
Contributions by and distribution to owners of the Company:				
- Issuance of shares	14	42,000	-	42,000
- Transaction costs arising on share issue	14	(1,000)	-	(1,000)
- Dividends paid	25	-	(3,765)	(3,765)
Total transactions with owners		41,000	(3,765)	37,235
Balance at 31.12.2019		136,444	7,920	144,364

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

Statements Of Cash Flows
For The Financial Year Ended 31 December 2019

		The Group		The Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit/(Loss) before taxation		34,880	45,635	13,065	(2,663)
Adjustments for:-					
Depreciation:					
- property, plant and equipment		1,599	2,178	-	-
- right-of-use assets		731	-	-	-
Impairment losses:					
- trade receivables		266	1,100	-	-
- other receivables		1,268	3,291	-	-
- goodwill		19	-	-	-
Finance costs		18,392	19,080	-	-
Property, plant and equipment written off		-	20	-	-
Accretion of fair value on non-current trade receivables		(29,740)	(31,057)	-	-
Dividend income		-	-	(15,000)	-
Gain on disposal of property, plant and equipment		(15)	(123)	-	-
Finance income		(2,907)	(2,093)	(578)	-
Reversal of impairment losses:					
- contract assets		-	(7)	-	-
- trade receivables		(2,052)	(2,695)	-	-
- other receivables		(6)	(193)	-	-
- cash and bank balances		-	(88)	-	-
- fixed deposits with licensed banks		-	(145)	-	-
Operating profit/(loss) before working capital changes		22,435	34,903	(2,513)	(2,663)
Increase in inventories		(5,624)	(6,593)	-	-
Decrease/(Increase) in contract assets		12,808	(27,112)	-	-
Decrease/(Increase) in trade and other receivables		60,231	31,299	(3,988)	150
(Decrease)/Increase in trade and other payables		(5,339)	27,588	(1,239)	1,447
CASH FROM/(FOR) OPERATIONS		84,511	60,085	(7,740)	(1,066)
Income tax paid		(10,636)	(9,961)	(75)	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES CARRIED FORWARD		73,875	50,124	(7,815)	(1,066)

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

Statements Of Cash Flows
For The Financial Year Ended 31 December 2019 (Cont'd)

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
NET CASH FROM/(FOR) OPERATING ACTIVITIES BROUGHT FORWARD		73,875	50,124	(7,815)	(1,066)
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES					
Acquisition of a subsidiary, net of cash and cash equivalents acquired		(19)	-	-	-
Advances to subsidiaries		-	-	(27,332)	-
Dividend received		-	-	15,000	-
Finance income received		2,907	2,093	578	-
Acquisition of shares in a subsidiary		-	-	#	-
Subscription of shares in a subsidiary		-	-	#	-
Purchase of right-of-use assets	26(a)	(85)	-	-	-
Withdrawal/(Placement) of pledged fixed deposits and with tenure more than 3 months		12,640	(13,476)	-	-
Proceeds from disposal of property, plant and equipment		15	198	-	-
Purchase of properties held for future development		(439)	(4,461)	-	-
Purchase of property, plant and equipment	26(a)	(1,605)	(4,657)	-	-
NET CASH FROM/(FOR) INVESTING ACTIVITIES		13,414	(20,303)	(11,754)	-
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Advance from a subsidiary		-	-	-	1,134
Dividends paid	25	(3,765)	-	(3,765)	-
Drawdown of borrowings	26(b)	6,065	23,191	-	-
Finance cost paid		(18,392)	(19,080)	-	-
Proceeds from issuance of shares to non-controlling interest in a subsidiary		25	-	-	-
Repayment of borrowing	26(b)	(47,894)	(54,551)	-	-
Proceed from issuance of shares, net of transaction costs		41,000	-	41,000	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(22,961)	(50,440)	37,235	1,134
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		64,328	(20,619)	17,666	68
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		23,630	44,249	68	#
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	26(c)	87,958	23,630	17,734	68

- Amount below RM1,000

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

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019

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 22 June 2020.

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 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

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

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

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

MFRS 16 Leases

IC Interpretation 23 Uncertainty Over Income Tax Treatments

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRS Standards 2015 – 2017 Cycles

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

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. MFRS 16 requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months whereby the right-of-use assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The impacts on the financial statements of the Group upon its initial application of MFRS 16 are disclosed in Note 35 to the financial statements.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

3. BASIS OF PREPARATION (CONT'D)

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

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

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

a. 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 5 to the financial statements.

b. Impairment of Property, Plant and Equipment and Right-of-use Assets

The Group determines whether an item of its property, plant and equipment and right-of-use assets are 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 amounts of property, plant and equipment and right-of-use assets as at the reporting date are disclosed in Notes 5 and 8 to the financial statements.

c. 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 9 and 10 to the financial statements.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Con'td)

d. Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of other receivables and amounts owing by subsidiaries as at the reporting date are disclosed in Notes 11 and 12 to the financial statements.

e. Revenue Recognition for Construction Contracts

The Group recognises construction revenue by reference to the construction progress using the input method, determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amount of contract assets as at the reporting date are disclosed in Note 10 to the financial statements.

f. 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.

g. Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of current tax liabilities as at the reporting date is RM1,562,000 (2018 - RM1,289,000).

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

a. Classification between Investment Properties and Owner-occupied Properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment properties.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies (Con'td)

b. Lease Term

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

c. Contingent Liabilities

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

4.2 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.

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

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

a. Business Combinations

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

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

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

b. Non-controlling Interests

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

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

c. Changes In Ownership Interests In Subsidiaries Without Change of Control

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

d. 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 of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 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.

4.4 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 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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

a. Financial Assets

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

Debt Instruments

i. Amortised Cost

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

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

ii. Fair Value through Other Comprehensive Income

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

iii. Fair Value through Profit or Loss

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

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

Equity Instruments

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

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

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

b. Financial Liabilities

i. Financial Liabilities at Fair Value through Profit or Loss

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

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

b. Financial Liabilities (Cont'd)

ii. Other Financial Liabilities

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

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

c. Equity Instruments

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

Ordinary Shares

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 specified 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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 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.

4.6 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 a 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:-

Freehold 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.

4.7 LEASES

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 LEASES (CONT'D)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

Accounting Policies Applied Until 31 December 2018

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 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.

4.9 CONTRACT COSTS

a. Incremental Costs of Obtaining A Contract

The Group recognises incremental costs of obtaining contracts with customers as an asset when the Group expects to recover these costs. When the amortisation period of the asset is one year or less, such costs are recognised as an expense immediately when incurred.

b. Costs to Fulfil A Contract

The Group recognises costs that relate directly to a contract (or an anticipated contract) with customer as an asset when the costs generate or enhance resources of the Group, will be used in satisfying performance obligation in the future and are recovered.

The contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates.

An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Any impairment loss recovered shall be reversed to the extent of the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 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 requirements of MFRS 9 - Financial Instruments.

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

4.11 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.

4.12 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.

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

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

For 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.

b. Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when 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 estimates 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 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.

4.14 EMPLOYEE BENEFITS

a. Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss 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.

4.15 INCOME TAXES

a. Current Tax

Current tax assets and liabilities are the 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 is recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 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.

4.17 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.

4.18 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.

4.19 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.

4.20 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts. 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.

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.

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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

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 Group, and the Group has a present right to payment for services rendered to date. The progress towards complete satisfaction of the performance obligation is measured based on a method that best depicts the Group's performance in satisfying the performance obligation of the contract. This is determined by reference to the property development costs incurred up to the end of the reporting period as a percentage of total estimated costs for complete satisfaction of the contract. Otherwise, revenue is recognised at a point in time upon delivery of property and customer's acceptance, and the Group 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.

4.22 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.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

The Group	1.1.2019 As Previously Reported RM'000	1.1.2019 Initial Application of MFRS 16 RM'000	1.1.2019 As Restated RM'000	Additions RM'000	Disposal RM'000	Depreciation Charges RM'000	At 31.12.2019 RM'000
2019							
Carrying Amount							
Freehold land and buildings	17,020	-	17,020	-	-	(297)	16,723
Chiller plant and machineries	1,057	-	1,057	-	-	(111)	946
Cabins, furniture and office equipment	1,001	-	1,001	255	-	(185)	1,071
Plant and machinery	2,298	-	2,298	13	-	(248)	2,063
Computers and software	1,532	-	1,532	168	-	(462)	1,238
Motor vehicles	2,034	(1,719)	315	-	(1)	(246)	68
Renovation	173	-	173	32	-	(50)	155
Capital work-in-progress	5,314	-	5,314	1,137	-	-	6,451
	30,429	(1,719)	28,710	1,605	(1)	(1,599)	28,715

The Group	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
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

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

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

The Group	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
2019			
Freehold land and buildings	18,849	(2,126)	16,723
Chiller plant and machineries	2,226	(1,280)	946
Cabins, furniture and office equipment	3,036	(1,965)	1,071
Plant and machinery	7,571	(5,508)	2,063
Computers and software	2,547	(1,309)	1,238
Motor vehicles	2,902	(2,834)	68
Renovation	1,143	(988)	155
Capital work-in-progress	6,451	-	6,451
	44,725	(16,010)	28,715
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

a. In the last financial year, included in the property, plant and equipment of the Group were motor vehicles with a total carrying amount of RM1,896,000 which were acquired under hire purchase terms. These leased assets had been pledged to licensed banks as security for the hire purchase payables of the Group as disclosed in Note 15(c) 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 RM12,723,000 (2018 - RM13,020,000) which have been charged to a licensed bank as security for banking facilities granted to the Group as disclosed in Notes 15(d) and 15(e) to the financial statements.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

6. INVENTORIES

	The Group	
	2019	2018
	RM'000	RM'000
Property Development		
Properties held for future development	64,976	69,861
Properties under development for sale	28,479	17,532
	93,455	87,393
Represented by:		
Non-current assets	64,976	69,861
Current assets	28,479	17,532
	93,455	87,393
Recognised in profit or loss:		
Inventories of property development	14,045	7,590

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 Notes 15(d) and 15(e) to the financial statements.

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 15(d), 15(e) and 15(g) to the financial statements.

Included in properties held for future development are interests on borrowings capitalised during the financial year amounting to RM984,000 (2018 - RM1,135,000).

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

7. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2019	2018
	RM'000	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		Principal Activities
	2019	2018	
	%	%	
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.
Nadi Cergas Urus Harta Sdn. Bhd. ("NCUH")	100	-	Provision of facility management services.
Nadi Cergas Medik Sdn. Bhd. ("NCM")	100	-	Dormant
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

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	Effective Equity Interest		The Group	
	2019	2018	2019	2018
	%	%	RM'000	RM'000
Naditech Utilities Sdn. Bhd.	40	40	5,260	4,689
Other individually immaterial subsidiaries			(344)	(370)
			4,916	4,319

b. 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.	
	2019	2018
	RM '000	RM'000
At 31 December		
Non-current assets	3,394	4,651
Current assets	15,740	8,217
Non-current liabilities	(343)	(322)
Current liabilities	(5,642)	(824)
Net assets	13,149	11,722
Financial year ended 31 December		
Revenue	4,508	4,174
Profit after taxation/Total comprehensive income for the financial year	1,426	363
Total comprehensive income attributable to non-controlling interests	570	145
Net cash from operating activities	620	495
Net cash from/(for) investing activities	3,207	(3,702)
Net cash for financing activities	(17)	(29)

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

8. RIGHT-OF-USE ASSETS

The Group	1.1.2019 As Previously Reported RM'000	1.1.2019 Initial Application of MFRS 16 RM'000	1.1.2019 As Restated RM'000	Additions RM'000	Depreciation Charges RM'000	At 31.12.2019 RM'000
2019						
Carrying Amount						
Buildings	-	191	191	307	(217)	281
Machines	-	-	-	1,933	(56)	1,877
Motor vehicles	-	1,719	1,719	134	(458)	1,395
	-	1,910	1,910	2,374	(731)	3,553
Analysed by:-						
Cost	4,785					
Accumulated depreciation	(1,232)					
	3,553					

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

The Group leases various buildings, machines and motor vehicles of which the leasing activities are summarised below:-

i.	Buildings	The Group has leased a number of buildings as hostels for employee and sales gallery ranging from 1 year to 2 years, with an option to renew the lease after that date.
ii.	Machines	The Group has leased a number of machines between 1 year and 2 years, with an option to renew the lease after that date.
iii.	Motor vehicles	The Group has leased certain motor vehicles under hire purchase arrangements with lease terms ranging from 3 to 5 (2018 - 3 to 5) years. At the end of the lease term, the Group has the option to purchase the asset at an insignificant amount. The leases bear effective interest rates ranging from 2.31% to 3.00% (2018 - 4.57% to 6.82%) and are secured by the leased assets.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

9. TRADE RECEIVABLES

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

	The Group	
	2019	2018
	RM'000	RM'000
Non-current		
Concession services receivables	562,730	591,814
Allowance for impairment losses	(786)	(1,939)
	561,944	589,875
Current		
Concession services receivables	32,704	31,914
Trade receivables	33,082	46,380
Allowance for impairment losses	(846)	(1,479)
	64,940	76,815
	626,884	666,690
Allowance for impairment losses:-		
At 1 January	3,418	5,013
Addition during the financial year	266	1,100
Reversal during the financial year	(2,052)	(2,695)
At 31 December	1,632	3,418

i. The Group's normal trade credit terms range from 30 to 90 (2018 - 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

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

	The Group	
	2019	2018
	RM'000	RM'000
Gross trade receivables:		
- IIUM Project	312,720	329,237
- UTeM Project	282,713	292,264
	595,433	621,501
Less: Allowance for impairment losses		
- IIUM Project	(434)	(1,079)
- UTeM Project	(392)	(957)
	(826)	(2,036)
Net trade receivables		
- IIUM Project	312,286	328,158
- UTeM Project	282,321	291,307
	594,607	619,465

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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

9. TRADE RECEIVABLES (CONT'D)

iii. Included in trade receivables is an amount of RM948,000 (2018 - RM17,298,000) 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.

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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

10. CONTRACT ASSETS

	The Group	
	2019	2018
	RM'000	RM'000
Contract assets relating to construction contracts	46,265	63,672
Contract assets relating to property development activities	9,008	5,655
Contract liabilities relating to construction contracts	(29,140)	(30,386)
	26,133	38,941
Allowance for impairment losses	-	-
	26,133	38,941
Allowance for impairment losses:-		
At 1 January	-	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.

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

	The Group	
	2019	2018
	RM'000	RM'000
Transfer to trade receivables	278,705	251,287
Revenue recognised on performance obligation satisfied during the financial year	268,202	280,112

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other receivables:-				
Third parties	8,502	9,215	-	-
Related party	5,961	-	-	-
Allowance for impairment losses	(6,271)	(5,009)	-	-
	8,192	4,206	-	-
Deposits	6,244	4,508	-	-
Prepayments	7,242	3,124	6,039	2,051
	21,678	11,838	6,039	2,051

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

	The Group	
	2019	2018
	RM'000	RM'000
Allowance for impairment losses:-		
At 1 January	5,009	1,911
Addition during the financial year	1,268	3,291
Reversal during the financial year	(6)	(193)
At 31 December	6,271	5,009

a. Included in other receivables of the Group comprise project billings receivable of RM3,235,000 (2018 - RM2,294,000) is to be reimbursed from a contract customer after the Group has completed the construction project.

b. Included in prepayments is an amount of RM6,000,000 being part of purchase consideration on acquisition of a group of companies.

c. The amount owing by a related party represented project expenditures to the preliminary costs incurred on a development project which was refundable from the project owner.

12. AMOUNTS OWING BY/(TO) SUBSIDIARIES

The amounts owing by/(to) subsidiaries are non-trade in nature, unsecured, interest-free, and repayable on demand. The amounts are to be settled in cash.

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/profit rates ranging from 2.55% to 3.75% (2018 - 1.88% to 4.25%) per annum. The fixed deposits have maturity periods ranging from 1 to 12 (2018 - 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 RM15,503,000 (2018 - RM15,088,000) which has been pledged to the licensed banks as security for banking facilities granted to the Group as disclosed in Notes 15(e), 15(f) and 15(g) to the financial statements.

14. SHARE CAPITAL

	The Group/The Company			
	2019	2018	2019	2018
	Number of shares'000		RM'000	RM'000
Issued and Fully Paid-Up				
Ordinary Shares				
At 1 January	613,000	613,000	95,444	95,444
Issuance of new shares for cash	140,000	-	42,000	-
Transaction costs arising on share issues	-	-	(1,000)	-
At 31 December	753,000	613,000	136,444	95,444

i. 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. The ordinary shares have no par value.

ii. The Company increased its issued and paid-up share capital from RM95,444,000 to RM136,444,000 by the creation of 140,000,000 new ordinary shares pursuant to the initial public offering of the Company on the ACE Market of Bursa Malaysia Securities Berhad for total cash consideration of RM42,000,000. The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

15. BORROWINGS (SECURED)

		The Group	
		2019	2018
	Note	RM'000	RM'000
Non-current			
Lease liabilities	15(a)	1,420	-
Lease liabilities (Ijarah)	15(b)	134	-
Hire purchase payables	15(c)	-	937
Term loans	15(d)	24,725	27,802
Islamic financing facilities	15(e)	118,416	127,928
Bonds	15(f)	140,000	160,000
		284,695	316,667
Current			
Lease liabilities	15(a)	1,611	-
Lease liabilities (Ijarah)	15(b)	42	-
Hire purchase payables	15(c)	-	505
Term loans	15(d)	3,426	3,378
Islamic financing facilities	15(e)	7,315	9,993
Bonds	15(f)	20,000	20,000
Bank overdrafts	15(g)	4,962	6,783
Bill financing	15(h)	-	5,890
		37,356	46,549
		322,051	363,216

a. Lease liabilities

	The Group	
	2019	2018
	RM'000	RM'000
At 1 January		
- As previously reported	-	-
- Initial application of MFRS 16	1,237	-
- As restated	1,237	-
Addition	2,289	-
Finance costs recognised in profit or loss	66	-
Repayment of principal	(495)	-
Repayment of finance costs	(66)	-
At 31 December	3,031	-

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

15. BORROWINGS (SECURED) (CONT'D)

b. Lease liabilities (Ijarah)

	The Group	
	2019 RM'000	2018 RM'000
At 1 January		
- As previously reported	-	-
- Initial application of MFRS 16	401	-
- As restated	401	-
Finance costs recognised in profit or loss	15	-
Repayment of principal	(225)	-
Repayment of costs expense	(15)	-
At 31 December	176	-

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

c. Hire purchase payables

	The Group	
	2019 RM'000	2018 RM'000
Minimum hire purchase payments:		
- not later than 1 year	-	569
- later than one year and not later than 5 years	-	1,011
	-	1,580
Less: Future finance charges	-	(138)
Present value of hire purchase payables	-	1,442

i. The hire purchase payables have been represented as 'lease liabilities' as shown in Notes 15(a) and 15(b) to the financial statements following the application of MFRS 16 by the Group using the modified retrospective approach.

ii. In the last financial year, the hire purchase payables of the Group were secured by the Group's motor vehicles under finance leases as disclosed in Note 5(a) to the financial statements.

iii. In the last financial year, 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%. The interest rates were fixed at the inception of the hire purchase arrangements.

d. Term loans

The term loans are analysed as follows:-

	The Group	
	2019 RM'000	2018 RM'000
Term loan 1	2,316	2,775
Term loan 2	2,281	2,734
Term loan 3	5,785	6,295
Term loan 4	3,209	3,494
Term loan 5	7,671	8,382
Term loan 6	1,671	1,819
Term loan 7	5,218	5,681
	28,151	31,180

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

15. BORROWINGS (SECURED) (CONT'D)

d. Term loans (Cont'd)

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

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

ii. Term loans 3, 4, 5, 6 and 7 bearing interest rate at base lending rate per annum.

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, 4, 5, 6 and 7 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.

e. Islamic financing facilities

The Islamic financing facilities are analysed as follows:-

	The Group	
	2019	2018
	RM'000	RM'000
Islamic financing facility 1	120,662	128,495
Islamic financing facility 2	7,069	7,926
Islamic financing facility 3	(2,000)	1,500
	125,731	137,921

The effective profit rates of Islamic financing facilities of the Group as at end of the reporting period are as follows:-

i. The effective profit rate structure of Islamic financing facility 1 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%

ii. Islamic financing facility 2 bearing effective profit rate at base financing rate - 1.00% per annum.

iii. Islamic financing facility 3 bearing profit rate at Islamic base rate per annum.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

15. BORROWINGS (SECURED) (CONT'D)

e. Islamic financing facilities (Cont'd)

Islamic financing facility 1 is represented by a 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.

Islamic financing facility 2 is a 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.

Islamic financing facility 3 is represented by a facility under 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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

15. BORROWINGS (SECURED) (CONT'D)

f. Bonds

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

Serial	Effective Interest rate (per annum)	Maturity Period	2019 RM'000	2018 RM'000
3	4.35%	24 April 2019	-	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
			160,000	180,000

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.

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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

15. BORROWINGS (SECURED) (CONT'D)

g. Bank Overdrafts

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 5 and 13 to the financial statements.

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.

h. Bill Financing

i. 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.

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

16. DEFERRED TAX LIABILITIES

The Group	At 1.1.2019 RM'000	Recognised in Profit or Loss (Note 23) RM'000	At 31.12.2019 RM'000
2019			
Deferred Tax Liabilities			
Property, plant and equipment	465	(58)	407
Trade receivables	81,527	(545)	80,982
	81,992	(603)	81,389
Deferred Tax Assets			
Unabsorbed capital allowances	(2,233)	807	(1,426)
Provisions	(914)	548	(366)
	(3,147)	1,355	(1,792)
	78,845	752	79,597
2018			
Deferred Tax Liabilities			
Property, plant and equipment	510	(45)	465
Trade receivables	82,302	(775)	81,527
	82,812	(820)	81,992
Deferred Tax Assets			
Unabsorbed capital allowances	(5,667)	3,434	(2,233)
Provisions	-	(914)	(914)
	(5,667)	2,520	(3,147)
	77,145	1,700	78,845

17. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 60 (2018 - 30 to 60) days.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

18. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other payables	2,301	3,034	34	1,336
Accruals	4,715	6,121	240	178
	7,016	9,155	274	1,514

19. REVENUE

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

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from Contracts with Customers				
Construction contracts	251,529	270,269	-	-
Rendering of facilities management services	15,776	15,806	-	-
Property development activities	17,818	9,843	-	-
Rendering of utility services	4,508	4,174	-	-
	289,631	300,092	-	-
Revenue from Other Sources				
Dividend income	-	-	15,000	-
Revenue recognised at a point in time				
Dividend income	-	-	15,000	-
Revenue recognised over time				
Construction contracts	251,529	270,269	-	-
Rendering of facilities management services	15,776	15,806	-	-
Property development activities	17,818	9,843	-	-
Rendering of utility services	4,508	4,174	-	-
	289,631	300,092	15,000	-

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

19. REVENUE (CONT'D)

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:-

	The Group	
	2019 RM'000	2018 RM'000
Aggregate amount of transaction price allocated to remaining contracts:-		
Construction revenue	488,505	608,744
Property development revenue	151,555	183,740
	640,060	792,484
Construction revenue:-		
Within 1 year	299,192	305,797
2 - 5 years	189,313	302,947
	488,505	608,744
Property development revenue:-		
Within 1 year	58,990	44,310
2 - 5 years	92,565	139,430
	151,555	183,740

20. FINANCE COSTS

	The Group	
	2019 RM'000	2018 RM'000
Interest expenses/Profit payments:-		
Bank overdrafts	221	116
Bonds	7,994	8,849
Hire purchase	-	67
Lease liabilities	66	-
Lease liabilities (Ijarah)	15	-
Term loans	1,855	1,091
Islamic financing facilities	8,241	8,958
	18,392	19,080

21. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS

	The Group	
	2019 RM'000	2018 RM'000
Impairment losses:		
- trade receivables	266	1,100
- other receivables	1,268	3,291
Reversal of impairment losses:		
- trade receivables	(2,052)	(2,695)
- contract assets	-	(7)
- other receivables	(6)	(193)
- fixed deposits with licensed banks	-	(145)
- cash and bank balances	-	(88)
	(524)	1,263

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

22. PROFIT/(LOSS) BEFORE TAXATION

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Auditors' remuneration:				
- audit fee				
- current year	167	124	59	30
- underprovision in the previous financial year	29	31	18	29
- non-audit fees:				
- auditors of the Company	157	499	45	459
Depreciation:				
- property, plant and equipment	1,599	2,178	-	-
- right-of-use	731	-	-	-
Directors' remuneration (Note 27(a))	3,459	2,544	384	196
Impairment losses on goodwill	19	-	-	-
Listing expenses (excluded non-audit fees)	1,157	1,988	824	-
Property, plant and equipment written off	-	20	-	-
Rental of premises	54	63	6	-
Staff costs (including other key management personnel as disclosed in Note 27(b)):				
- short-term employee benefits	17,997	15,323	-	-
- defined contribution benefits	2,190	1,728	-	-
- others	344	474	-	-
Accretion of fair value on non-current trade receivables	(29,740)	(31,057)	-	-
Dividend income	-	-	(15,000)	(1,482)
Gain on disposal of property, plant and equipment	(15)	(123)	-	-
Finance income	(2,907)	(2,093)	(578)	-
Rental income	(194)	(167)	-	-

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

23. INCOME TAX EXPENSE

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current tax expense	9,487	11,966	125	-
Overprovision in the previous financial year	(1,215)	(823)	-	-
	8,272	11,143	125	-
Deferred tax (Note 16):				
- origination and reversal of temporary differences	1,424	875	-	-
- (over)/underprovision in the previous financial year	(672)	825	-	-
	752	1,700	-	-
	9,024	12,843	125	-

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:-

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation	34,880	45,635	13,064	(2,663)
Tax at the statutory tax rate of 24% (2018 - 24%)	8,371	10,952	3,135	(639)
Tax effects of:-				
Non-deductible expenses	3,000	2,000	590	3
Non-taxable income	(580)	(657)	(3,600)	-
Utilisation of deferred tax assets previously not recognised	120	1,410	-	636
Tax-exempt income	-	(329)	-	-
Exemption on increment of chargeable income	-	(535)	-	-
Overprovision of current tax in the previous financial year	(1,215)	(823)	-	-
(Over)/Underprovision of deferred taxation in the previous financial year	(672)	825	-	-
	9,024	12,843	125	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018 - 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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

24. EARNINGS PER SHARE

	The Group	
	2019	**2018**
Profit attributable to owners of the Company (RM'000)	25,284	32,590
Weighted average number of ordinary shares in issue ('000)	753,000	613,000
Basic earnings per share	3.36	5.32

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.

25. DIVIDENDS

	The Company	
	2019	**2018**
	RM'000	**RM'000**
Ordinary Shares		
A first interim dividend of 0.5 sen per ordinary share in respect of the current financial year	3,765	-

26. CASH FLOW INFORMATION

a. The cash disbursed for the purchase of property, plant and equipment and the addition of right-of-use assets is as follows:-

	The Group	
	2019	**2018**
	RM'000	**RM'000**
Property, plant and equipment		
Cost of property, plant and equipment purchased (Note 5)	1,065	5,597
Less: Amount financed through hire purchase	-	(940)
	1,605	4,657
Right-of-use assets		
Cost of right-of-use assets acquired (Note 8)	2,374	-
Less: Addition of new lease liabilities	(2,289)	-
	85	-

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

26. CASH FLOW INFORMATION (CONT'D)

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

The Group	Term loans RM'000	Islamic financing facilities RM'000	Hire purchase RM'000	Lease liabilities RM'000	Lease Liabilities (Ijarah) RM'000	Bonds RM'000	Bill financing RM'000	Total RM'000
2019								
At 1 January, as previously report	31,180	137,921	1,442	-	-	180,000	5,890	356,433
Effects on adoption of MFRS 16	-	-	(1,442)	1,237	401	-	-	196
At 1 January, as restated	31,180	137,921	-	1,237	401	180,000	5,890	356,629
<u>Changes in Financing Cash Flows</u>								
Proceeds from drawdown	6,065	-	-	-	-	-	-	6,065
Acquisition of new lease	-	-	-	2,289	-	-	-	2,289
Repayment of borrowing principal	(9,094)	(12,190)	-	(495)	(225)	(20,000)	(5,890)	(47,894)
Repayment of finance charges	(1,855)	(8,241)	-	(66)	(15)	(7,994)	-	(18,171)
	(4,884)	(20,431)	-	1,728	(240)	(27,994)	(5,890)	(57,711)
<u>Non-cash Changes</u>								
Finance charges recognised in profit or loss	1,855	8,241	-	66	15	7,994	-	18,171
At 31 December	28,151	125,731	-	3,031	176	160,000	-	317,089

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

26. CASH FLOW INFORMATION (CONT'D)

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

The Group	Term loans RM'000	Islamic financing facilities RM'000	Hire purchase RM'000	Bonds RM'000	Bill financing RM'000	Total RM'000
2018						
At 1 January	34,697	146,972	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	(3,517)	(10,551)	(623)	(20,000)	(19,860)	(54,551)
Repayment of finance charges	(1,090)	(8,958)	(67)	(8,849)	-	(18,964)
	(4,607)	(18,009)	(690)	(28,849)	1,831	(50,324)
Non-cash Changes						
Finance charges recognised in profit or loss	1,090	8,958	67	8,849	-	18,964
New hire purchase	-	-	940	-	-	940
	1,090	8,958	1,007	8,849	-	19,904
At 31 December	31,180	137,921	1,442	180,000	5,890	356,433

The cash and cash equivalents comprise the following:-

	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Fixed deposits with licensed banks	30,653	50,519	-	-
Cash and bank balances	92,920	23,187	17,734	68
Bank overdrafts	(4,962)	(6,783)	-	-
	118,611	66,923	17,734	68
Less: Fixed deposits pledged to licensed banks and with tenure more than 3 months	(30,653)	(43,293)	-	-
	87,958	23,630	17,734	68

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

27. 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 are as follows:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
a. Directors				
Directors of the Company				
Short-term employee benefits:				
- fees	360	182	360	182
- salaries, bonuses and other benefits	2,808	2,037	24	14
	3,168	2,219	384	196
Defined contribution benefits	-	-	-	-
	3,168	2,219	384	196
Directors of the Subsidiaries				
Short-term employee benefits:				
- fees	5	30	-	-
- salaries, bonuses and other benefits	255	263	-	-
	260	293	-	-
Defined contribution benefits	31	32	-	-
	291	325	-	-
Total directors' remuneration (Note 22)	3,459	2,544	384	196
b. Other Key Management Personnel				
Short-term employee benefits	915	942	-	-
Defined contribution benefits	107	111	-	-
Total compensation for other key management personnel	1,022	1,053	-	-

28. 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:-

		The Group		The Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Subsidiaries					
- Dividend income		-	-	15,000	-
Related Parties					
- Progress billing income	(a)	12,479	74,303	-	-
- Consideration sum	(b)	-	(3)	-	-

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

28. RELATED PARTY DISCLOSURES (CONT'D)

b. Significant Related Party Transactions and Balances (Cont'd)

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 director of the Company and a director of a subsidiary have substantial financial interests.

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

29. OPERATING 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.

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 finance costs 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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

29. OPERATING SEGMENTS (CONT'D)

29.1 BUSINESS SEGMENTS

The Group	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
2019							
Revenue							
External revenue	251,529	15,776	4,508	17,818	-	-	289,631
Inter-segment revenue	-	-	-	-	23,520	(23,520)	-
	251,529	15,776	4,508	17,818	23,520	(23,520)	289,631
Results							
Segment profit/ (loss)	17,782	4,584	2,160	2,133	(2,259)	(1,984)	22,416
Accretion of fair value on non-current trade receivables	-	29,740	-	-	-	-	29,740
Impairment losses	(1,259)	-	(275)	-	-	-	(1,534)
Depreciation:							
- property, plant and equipment	(660)	(337)	(364)	(4)	(234)	-	(1,599)
- right-of-use	(1,208)	-	-	(67)	-	544	(731)
Gain on disposal of property, plant and equipment	15	-	-	-	-	-	15
Finance income	943	1,187	150	49	578	-	2,907
Finance costs	(221)	(16,166)	(2)	(2,261)	(267)	525	(18,392)
Reversal of impairment losses	848	1,210	-	-	-	-	2,058
Profit/(Loss) before taxation	16,240	20,218	1,669	(150)	(2,182)	(915)	34,880
Income tax expense	(4,257)	(3,368)	(668)	(560)	(171)	-	(9,024)
Profit/(Loss) after taxation	11,983	16,850	1,001	(710)	(2,353)	(915)	25,856

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

29. OPERATING SEGMENTS (CONT'D)

29.1 BUSINESS SEGMENTS (CONT'D)

The Group	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
2019							
Assets							
Segment assets	141,327	642,280	17,559	90,320	38,302	(5,797)	923,991
Unallocated asset:							
- current tax assets							2,875
Consolidated total assets							926,866
Additions to non-current assets other than financial instruments are:							
- property, plant and equipment	375	349	875	6	-	-	1,605
- properties held for future development	439	-	-	-	-	-	439
- right-of-use assets	2,145	-	-	229	-	-	2,374
Liabilities							
Segment liabilities	81,309	284,160	287	28,839	6,360	(1,423)	399,532
Unallocated liabilities:							
- deferred tax liabilities							79,597
- current tax liabilities							1,562
Consolidated total liabilities							480,691

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

29. OPERATING SEGMENTS (CONT'D)

29.1 BUSINESS SEGMENTS (CONT'D)

The Group	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
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	(3,877)	(4)	(510)	-	-	-	(4,391)
Depreciation of property, plant and equipment	(1,231)	(330)	(380)	(3)	-	(234)	(2,178)
Gain on disposal of property, plant and equipment	123	-	-	-	-	-	123
Finance income	616	1,330	84	8	55	-	2,093
Finance costs	(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

29. OPERATING SEGMENTS (CONT'D)

29.1 BUSINESS SEGMENTS (CONT'D)

The Group	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
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

29.2 GEOGRAPHICAL INFORMATION

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

29.3 MAJOR CUSTOMERS

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

	The Group		Segment
	2019 RM'000	2018 RM'000	
Customer A	123,621	82,266	Construction
Customer B	46,884	19,891	Construction
Customer C	34,731	16,914	Construction

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

30. CAPITAL COMMITMENTS

	The Group	
	2019	2018
	RM'000	RM'000
Purchase of property, plant and equipment	1,209	-

31. OPERATING LEASE COMMITMENTS

The Group has applied MFRS 16 using the modified retrospective approach. As a result, the following information are disclosures required by MFRS 117 'Leases':-

The Group leases a number of buildings, machines and motor vehicles under non-cancellable operating leases. The future minimum lease payments under the non-cancellable operating leases as at the end of the last reporting period are as follows:-

	The Group
	2018
	RM'000
Not more than 1 year	76
Later than 1 year and not later than 5 years	121
Total (Note 35)	197

32. 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.

32.1 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 long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed 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 carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

a. Market Risk (Cont'd)

ii. Interest Rate Risk (Cont'd)

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 15(d), 15(e), 15(g) and 15(h) to the financial statements.

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:-

	The Group	
	2019	**2018**
	RM'000	**RM'000**
Effects on Profit After Taxation		
Increase of 100 basis points	(1,207)	(1,381)
Decrease of 100 basis points	1,207	1,381

iii. Equity Price Risk

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

b. Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and 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 cash and bank balance), 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 94% 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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

b. Credit Risk (Cont'd)

iii. Assessment of Impairment Losses

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

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

Trade Receivables and Contract Assets

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

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

For certain large customers or customers with a high risk of default, the Group assesses the risk of loss of each customer individually based on their financial information, past trends of payments an external credit rating, where applicable.

Also, the Group considers any trade receivables having financial difficulty or in default with significant balances outstanding for more than 1 year are deemed credit impaired and assesses for their risk of loss individually.

The expected loss rates are based on the payment profiles of sales over a period of 1 year from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

For construction contracts, the Group assessed the expected credit loss of each customer individually based on their financial information and past trends of payments as there are only a few customers. All of these customers have a 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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

b. Credit Risk (Cont'd)

iii. Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

The 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	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
The Group				
2019				
Current (not past due)	601,289	(826)	-	600,463
1 to 30 days past due	12,841	-	(39)	12,802
31 to 60 days past due	9,551	-	(76)	9,475
More than 60 days but less than a year past due	4,834	-	(690)	4,144
Trade receivables	628,515	(826)	(805)	626,884
Contract assets	26,133	-	-	26,133
	654,648	(826)	(805)	653,017
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 days but less than a year past due	6,933	-	(425)	6,508
Trade receivables	670,108	(2,036)	(1,382)	666,690
Contract assets	38,941	-	-	38,941
	709,049	(2,036)	(1,382)	705,631

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 9 and 10 to the financial statements.

Other Receivables

The Group applies the 3-stage general approach to measuring expected credit losses for its 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:-

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

b. Credit Risk (Cont'd)

iii. Assessment of Impairment Losses (Cont'd)

Other Receivables (Cont'd)

	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
The Group				
2019				
Low credit risk	9,463	-	(1,271)	8,192
Credit impaired	5,000	(5,000)	-	-
	14,463	(5,000)	(1,271)	8,192
2018				
Low credit risk	4,215	-	(9)	4,206
Credit impaired	5,000	(5,000)	-	-
	9,215	(5,000)	(9)	4,206

The movements in the loss allowances in respect of other receivables are disclosed in Note 11 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 (Non-trade Balances)

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 identified impairment loss of amount owing by subsidiaries was immaterial 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.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2019 (Cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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 finance cost computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Weighted Average Effective Interest/Profit 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
2019						
Non-derivative Financial Liabilities						
Lease liabilities	2.35 - 5.09	3,031	3,152	1,996	1,156	-
Lease liabilities (Ijarah)	4.83	176	199	50	149	-
Term loans	5.09 - 5.75	28,151	34,260	5,331	20,441	8,488
Islamic financing facilities	6.60 - 6.85	125,731	173,946	16,821	68,432	88,693
Bonds	4.45 - 5.20	160,000	190,350	27,112	99,182	64,056
Bank overdrafts	8.10	4,962	4,962	4,962	-	-
Trade payables	-	70,465	70,465	70,465	-	-
Other payables and accruals	-	7,016	7,016	7,016	-	-
		399,532	484,350	133,753	189,360	161,237
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	31,180	39,590	5,331	21,325	12,934
Islamic financing facilities	5.75 - 6.60	137,921	193,435	17,271	69,084	107,080
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

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

c. Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including finance costs computed using contractual rates or, if floating, based on the rates at the end of the reporting period):- (Cont'd)

The Company	Weighted Average Effective Interest/Profit Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000
2019				
Non-derivative financial liabilities				
Other payables and accruals	-	274	274	274
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

The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

32.2 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:-

	The Group 2019 RM'000	The Group 2018 RM'000
Borrowings (Note 15)	322,051	363,216
Less: Cash and cash equivalents	(87,958)	(23,630)
Net debt	234,093	339,586
Total equity	446,175	383,065
Debt-to-equity ratio	0.52	0.89

There was no change in the Group's approach to capital management during the financial year.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Financial Assets				
Amortised Cost				
Trade receivables	626,884	666,690	-	-
Other receivables	8,192	4,206	-	-
Amount owing by subsidiaries	-	-	23,989	-
Fixed deposits with licensed banks	30,653	50,519	-	-
Cash and bank balances	92,920	23,187	17,734	68
	758,649	744,602	41,723	68
Financial Liabilities				
Amortised Cost				
Lease liabilities	3,031	-	-	-
Lease liabilities (Ijarah)	176	-	-	-
Hire purchase payables	-	1,442	-	-
Term loans	28,151	31,180	-	-
Islamic financing facilities	125,731	137,921	-	-
Bonds	160,000	180,000	-	-
Bank overdrafts	4,962	6,783	-	-
Bill financing	-	5,890	-	-
Trade payables	70,465	73,666	-	-
Other payables and accruals	7,016	9,155	274	1,514
Amount owing to a subsidiary	-	-	-	3,342
	399,532	446,037	274	4,856

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.4 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	Level 2	Level 3		
The Group	RM'000	RM'000	RM'000	RM'000	RM'000
2019					
Financial Asset					
Trade receivables	-	626,884	-	626,884	626,884
Financial Liabilities					
Lease liabilities	-	3,031	-	3,031	3,031
Lease liabilities (Ijarah)	-	176	-	176	176
Term loans	-	28,151	-	28,151	28,151
Islamic financing facilities	-	125,731	-	125,731	125,731
Bonds	-	160,000	-	160,000	160,000
Bank overdrafts	-	4,962	-	4,962	4,962
2018					
Financial Asset					
Trade receivables	-	666,690	-	666,690	666,690
Financial Liabilities					
Hire purchase payables	-	1,442	-	1,442	1,442
Term loans	-	31,180	-	31,180	31,180
Islamic financing facilities	-	137,921	-	137,921	137,921
Bonds	-	180,000	-	180,000	180,000
Bank overdrafts	-	6,783	-	6,783	6,783
Bill financing	-	5,890	-	5,890	5,890

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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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.

c. On 29 October 2019, the Company entered into a Conditional Share Sale agreement with P.A.E Builders Sdn Bhd and Seri Delima Anggun Sdn Bhd for the proposed acquisition of 4,500,000 ordinary shares, representing the entire ordinary shares in Konsortium PAE Sepakat Sdn Bhd ("Proposed Acquisition") for a cash consideration of RM158,000,000.

   The funding for the Proposed Acquisition will partially be met through the establishment of a proposed issuance of Islamic medium term notes pursuant to an Islamic medium term note programme of RM200.0 million in nominal value and a proposed issuance of convertible Sukuk pursuant to a convertible Sukuk programme of RM60.0 million in nominal value.

   The Company also proposed to establish an employees' share option scheme ("ESOS") of up to 15% of the total number of issued shares at any point in time over the duration of the ESOS for the eligible employees and directors of the Company and its subsidiaries.

34. SIGNIFICANT EVENT OCCURING AFTER THE REPORTING PERIOD

On 16 March 2020, the Prime Minister of Malaysia has announced the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of COVID-19 outbreak in Malaysia. The outbreak of COVID-19 has adversely affected economies with the occurrence of a multitude of associated events such as temporarily closing of businesses, travel restrictions and quarantine measures across the globe. Given these unprecedented times of uncertainty, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Group for future periods. However, the Group is implementing timely and appropriate measures to minimise the impact arising from COVID-19 Pandemic.

35. INITIAL APPLICATION OF MFRS 16

The Group has adopted MFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognised as an adjustment to the retained profits as at 1 January 2019 (date of initial application) without restating any comparative information.

The Group has applied MFRS 16 only to contracts that were previously identified as leases under MFRS 117 'Leases' and IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease'. Therefore, MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

a. Lessee Accounting

At 1 January 2019, for leases that were classified as operating leases under MFRS 117, the Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate at that date of 5.09%. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The Group has used the following practical expedients in applying MFRS 16 for the first time:-

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied for the exemption not to recognise operating leases with a remaining lease term of less than 12 months as at 1 January 2019;
- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the lease contract contains options to extend or terminate the lease.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2019 (Cont'd)

35. INITIAL APPLICATION OF MFRS 16 (CONT'D)

a. Lessee Accounting (Cont'd)

For leases that were classified as finance leases, the Group has recognised the carrying amount of the leased asset and lease liability immediately before 1 January 2019 as the carrying amount of the right-of-use asset and the lease liability as at the date of initial application.

The following table explains the difference between the operating lease commitments disclosed in the last financial year (determined under MFRS 117) and the lease liabilities recognised at 1 January 2019:-

	The Group RM'000
Operating lease commitments as at 31 December 2018 as disclosed in last financial year (Note 31)	197
Discounted using the incremental borrowing rate as at 1 January 2019	197
Add: Finance lease liabilities recognised as at 31 December 2018	1,441
Lease liabilities recognised as at 1 January 2019	1,638

b. Lessor Accounting

The Group did not make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of MFRS 16.

c. Financial Impacts

The main impacts resulting from the adoption of MFRS 16 at 1 January 2019 are summarised below:-

	1 January 2019		
	As Previously Reported	MFRS 16 Adjustments	As restated
The Group	**RM'000**	**RM'000**	**RM'000**
Statements of Financial Position			
Property, plant and equipment (Note 5)	30,429	(1,719)	28,710
Right-of-use assets (Note 8)	-	1,910	1,910
Lease liabilities (Note 15):	-	(1,638)	(1,638)
Hire purchase payables (Note 15)	(1,442)	1,442	-
Retained profits	283,302	(6)	283,296

36. 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):-		
Inventories	69,861	75,822
Contract assets	38,941	32,980

List Of Properties Held By The Group
As At 31 December 2019

No	Location	Description/ Existing Use	Area (Sq. Metres)	Tenure	Age of Building (Years)	Carrying Amount as at 31/12/2019 (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	5,204	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	5,131	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	1,194	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	1,194	2007
5.	PT 13079 – 13643, PT 13645 – 13646, PT 13648, PT 13660, 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	-	49,350	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	-	17,404	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 27 May 2020

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	0	0.000	0	0.000
100 - 1,000	195	14.942	140,100	0.018
1,001 - 10,000	463	35.478	2,646,500	0.351
10,001 - 100,000	455	34.865	18,974,100	2.519
100,001 - 37,649,999 (*)	188	14.406	229,322,637	30.454
37,650,000 and above (**)	4	0.306	501,916,663	66.655
Total	**1,305**	**100.000**	**753,000,000**	**100.00**

Remark:
* - Less than 5% of issued shares
** - 5% and above of issued shares

INFORMATION ON SUBSTANTIAL HOLDERS' HOLDINGS

		No. of ordinary shares held			
No.	**Name**	**Direct Shareholdings**	**Percentage (%)**	**Indirect Shareholdings**	**Percentage (%)**
1.	Wan Azman Bin Wan Kamal	501,916,663	66.655	-	-
2.	Subahan Bin Kamal	51,083,337	6.783	-	-
Total		**553,000.000**	**73.438**		

INFORMATION ON DIRECTORS' HOLDINGS

		No. of ordinary shares held			
No.	**Name**	**Direct Shareholdings**	**Percentage (%)**	**Indirect Shareholdings**	**Percentage (%)**
1.	Chng Boon Huat	500,000	0.066	-	-
2.	Muhamad Fuad Bin Abdullah	400,000	0.053	-	-
3.	Professor Emerita Siti Naaishah 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**	**-**	**-**

Analysis Of Shareholdings
As At 27 May 2020 (Cont'd)

TOP 30 HOLDERS

No.	Name	Holdings	%
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.	Seri Delima Anggun Sdn. Bhd.	22,751,600	3.021
7.	Subahan Bin Kamal	20,863,918	2.770
8.	Lim Eng Keong	15,009,400	1.993
9.	David Lim Kern Yen	12,139,800	1.612
10.	Chong Ngu Chong	9,207,000	1.222
11.	Loo Tang Kim	8,170,000	1.084
12.	TASEC Nominees (Tempatan) Sdn. Bhd. Exempt An For TA Investment Management Berhad (Clients)	5,262,100	0.698
13.	Carbatan Nominees (Tempatan) Sdn. Bhd. RHB Trustees Berhad For SP Tactical Investment Fund	4,382,800	0.582
14.	Chong Shen Chong	3,519,000	0.467
15.	Saw Hoay Theng	3,136,700	0.416
16.	Liew Chooi Lynn	2,823,000	0.374
17.	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd. For Manulife Investment Growth Fund (4074)	2,338,000	0.310
18.	Saw Lip Hean	2,066,100	0.274
19.	Chang Ah Kau @ Chong Hon Chong	2,030,000	0.269
20.	Lee Chew Wah	2,000,000	0.265
21.	Lim Yoke Chin	1,900,000	0.252
22.	Chong Yaw Ting	1,850,000	0.245
23.	Bo Chun Ping	1,780,000	0.236
24.	Lee Chew Wah	1,765,100	0.234
25.	Chong Yaw Ting	1,748,200	0.232
26.	Nik Pa'ezah Binti Ismail	1,720,500	0.228
27.	Lee Jin Ghee	1,705,000	0.226
28.	Liew Siew Har	1,700,000	0.225
29.	Lau Heng Keng	1,637,300	0.217
30.	Lee Hong Tat	1,547,000	0.205
Total		**665,188,600**	**88.388**

Notice Of 3rd Annual General Meeting

For The Financial Year Ended 31 December 2019

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of the Company will be held at **Ballroom III, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, Pinggiran Golf Saujana, Tropicana, 47410 Petaling Jaya, Selangor** on **Tuesday, 15 September 2020** at **10.00 a.m.** for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 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. Dato' Sri Subahan Bin Kamal **(Ordinary Resolution 1)**
   ii. Chng Boon Huat **(Ordinary Resolution 2)**

3. To approve the payment of Directors' fees of up to RM500,000.00 for the financial year ending 31 December 2020. **(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 Companies Act 2016 ("the Act") and subject to the Constitution of the Company, the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental/ regulatory authorities (if any), the Directors of the Company be and are hereby authorised to allot and issue shares in the Company from time to time, at such price, upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of shares to be issued pursuant to this resolution does not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) of the Company for the time being **AND THAT** the Directors be authorised to do all such things as they may deem fit and expedient in the best interest of the Company to give effect to the issuance of new shares under this resolution including making such applications to Bursa Securities for the listing of and quotation for the additional shares so issued on Bursa Securities **AND THAT** such authority shall continue to be in force until 31 December 2021, unless revoked or varied by an ordinary resolution of the Company at a general meeting."
   [Please refer to Note (c)]

Notice Of 3rd Annual General Meeting

For The Financial Year Ended 31 December 2019 (Cont'd)

7. **Proposed Renewal of Existing 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 June 2020, 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 Annual General Meeting ("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 the Company of which due notice shall have been given in accordance with the Act and the Constitution of the Company.

BY ORDER OF THE BOARD

Wong Wai Foong (SSM PC No. 202008001472) (MAICSA No. 7001358)
Lim Hooi Mooi (SSM PC No. 201908000134) (MAICSA No. 0799764)
Ong Wai Leng (SSM PC No. 202008003219) (MAICSA No. 7065544)
Company Secretaries

Kuala Lumpur
30 June 2020

NOTES:-

IMPORTANT NOTICE

1. The Board of Directors ("Board") is cognisant of the Covid-19 pandemic as declared by the World Health Organisation which, to-date, is still subsisting. The health and safety of the Company's shareholders, Directors, staff and other stakeholders is of paramount concern for the Company. In view of the foregoing, the Company wishes to advise shareholders that necessary steps and measures will be undertaken in holding the Company's 3rd AGM.

   In view of the Covid-19 pandemic and further to the "Guidance and FAQs on the Conduct of General Meetings for Listed Issuers" issued by the Securities Commission, members/proxies/corporate representatives who wish to attend the 3rd AGM in person **ARE REQUIRED TO PRE-REGISTER ("RSVP")** with the Company's share registrar, Tricor Investor & Issuing House Services Sdn Bhd ("Share Registrar", "Tricor", or "TIIH"), via the TIIH Online website at https://tiih.online no later than Sunday, 13 September 2020 at 10.00 a.m. Please follow the RSVP Procedures in the Administrative Guide for the 3rd AGM.

Notice Of 3rd Annual General Meeting
For The Financial Year Ended 31 December 2019 (Cont'd)

2. 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 more than one proxy 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.

3. 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.

4. 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.

5. Where a member or the authorised nominee appoints more than two (2) proxies, or where an exempt authorised 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.

6. The instrument appointing a proxy shall be in writing signed by the appointor or by his attorney who is authorised in writing. In the case of a corporation, the instrument appointing proxy(ies) must be made either under its common seal or signed by an officer or an attorney duly authorised.

7. A member who has appointed a proxy or attorney or corporate representative to attend and vote at the 3rd AGM must request his/her proxy or attorney or corporate representative to submit their RSVP at TIIH Online website at https://tiih.online no later than Sunday, 13 September 2020 at 10.00 a.m. Please follow the RSVP Procedures in the Administrative Guide for the 3rd AGM.

8. 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 3rd AGM or adjourned general meeting at which the person named in the appointment proposes to vote:

   i. <u>In hard copy form</u>

      In the case of an appointment made in hard copy form, the Proxy Form must be deposited at the Company's Share Registrar at 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, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

   ii. <u>By electronic form</u>

      The Proxy Form can be electronically lodged via **TIIH Online** website at <u>https://tiih.online</u> (applicable to individual member only). Kindly refer to the Administrative Guide on the procedure for electronic lodgement of proxy form via TIIH Online.

9. Please ensure ALL the particulars as required in the Proxy Form are completed, signed and dated accordingly.

10. Last date and time for lodging the form of proxy is Sunday, 13 September 2020 at 10.00 a.m.

11. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 3rd AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

12. For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with the Company's Share Registrar at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:

   i. If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.

   ii. If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
      a. at least two (2) authorised officers, of whom one shall be a director; or
      b. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

13. For the purpose of determining who shall be entitled to participate in this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, the **Record of Depositors as at 8 September 2020**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this 3rd AGM or appoint proxies to attend and vote in his stead.

Notice Of 3rd Annual General Meeting

For The Financial Year Ended 31 December 2019 (Cont'd)

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 from the date of the forthcoming Annual General Meeting until the next Annual General Meeting in 2021. 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 from the date of the forthcoming Annual General Meeting until the next Annual General Meeting.

c. Ordinary Resolution No. 6

The proposed Resolution No. 6, if passed, will empower the Directors to allot up to a maximum of 20% of the total number of issued shares of the Company (excluding treasury shares) (20% General Mandate) for the time being for such purposes as the Directors consider would be in the best interest of the Company and its shareholders.

The Company had, at the last AGM held on 29 May 2019, obtained the mandate from the shareholders to allot up to a maximum of 10% of the total number of issued shares of the Company. The 20% General Mandate is pursuant to the letter from Bursa Malaysia Securities Berhad dated 16 April 2020 in relation to temporary relief measures in light of the economic challenges brought by COVID-19 pandemic for listed issuers to seek a higher general mandate of not more than 20% of the total number of issued shares of the Company (excluding treasury shares) instead of 10%. This mandate will continue to be in force until 31 December 2021, unless such approval is revoked or varied by the Company at general meeting. The mandate 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.

The Board of Directors is of the opinion that the 20% General Mandate is in the best interest of the Company and its shareholders as it is useful for the Company to meet its financial needs due to the unprecedented uncertainty surrounding the recovery of the COVID-19 pandemic and it will enable the Board to take swift action during the challenging time to ensure long term sustainability and interest of the Company and its shareholders.

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 3rd Annual General Meeting.

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PROXY FORM

(Before completing this form please refer to the notes below)

Number of Shares held	
CDS Account	

I/We ______________________________ Tel: ______________

[Full name in block and as per NRIC/passport, NRIC/Passport/Company No.]

of ______________________________

[Full address]

being member(s) of **GAGASAN NADI CERGAS BERHAD**, hereby appoint:

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

^and / or

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

Or failing ^him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the 3rd Annual General Meeting of the Company to be held at Ballroom III, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, Tropicana, 47410 Petaling Jaya, Selangor on Tuesday, 15 September 2020 at 10.00 a.m. and any adjournment thereof, to vote as indicated below:

RESOLUTIONS	DESCRIPTION OF RESOLUTION	FOR	AGAINST
Ordinary Resolution 1	To re-elect Dato' Sri Subahan Bin Kamal as Director of the Company.		
Ordinary Resolution 2	To re-elect Chng Boon Huat as Director of the Company.		
Ordinary Resolution 3	To approve the payment of Directors' fees of up to RM500,000.00 for the financial year ending 31 December 2020.		
Ordinary Resolution 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 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 6	Authority to Allot and Issue Shares pursuant to Sections 75 And 76 of the Companies Act, 2016.		
Ordinary Resolution 7	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit.

Dated this ____________ day of ____________________ 2020.

____
Signature*
Member

^ Delete whichever is inapplicable

* Manner of execution:
a. If you are an individual member, please sign where indicated.
b. If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
c. If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
   i. at least two (2) authorised officers, of whom one shall be a director; or
   ii. any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

NOTES:-

IMPORTANT NOTICE

1. The Board of Directors ("Board") is cognisant of the Covid-19 pandemic as declared by the World Health Organisation which, to-date, is still subsisting. The health and safety of the Company's shareholders, Directors, staff and other stakeholders is of paramount concern for the Company. In view of the foregoing, the Company wishes to advise shareholders that necessary steps and measures will be undertaken in holding the Company's 3rd AGM.

   In view of the Covid-19 pandemic and further to the "Guidance and FAQs on the Conduct of General Meetings for Listed Issuers" issued by the Securities Commission, members/proxies/corporate representatives who wish to attend the 3rd AGM in person **ARE REQUIRED TO PRE-REGISTER ("RSVP")** with the Company's share registrar, Tricor Investor & Issuing House Services Sdn Bhd ("Share Registrar", "Tricor", or "TIIH"), via the TIIH Online website at https://tiih.online no later than Sunday, 13 September 2020 at 10.00 a.m. Please follow the RSVP Procedures in the Administrative Guide for the 3rd AGM.

2. 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 more than one proxy 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.

3. 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.

4. 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.

5. Where a member or the authorised nominee appoints more than two (2) proxies, or where an exempt authorised 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.

6. The instrument appointing a proxy shall be in writing signed by the appointor or by his attorney who is authorised in writing. In the case of a corporation, the instrument appointing proxy(ies) must be made either under its common seal or signed by an officer or an attorney duly authorised.

7. A member who has appointed a proxy or attorney or corporate representative to attend and vote at the 3rd AGM must request his/her proxy or attorney or corporate representative to submit their RSVP at TIIH Online website at https://tiih.online no later than Sunday, 13 September 2020 at 10.00 a.m. Please follow the RSVP Procedures in the Administrative Guide for the 3rd AGM.

8. 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 3rd AGM or adjourned 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 Company's Share Registrar at 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, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

(ii) By electronic form

The Proxy Form can be electronically lodged via **TIIH Online** website at https://tiih.online (applicable to individual member only). Kindly refer to the Administrative Guide on the procedure for electronic lodgement of proxy form via TIIH Online.

Please fold here

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

9. Please ensure ALL the particulars as required in the Proxy Form are completed, signed and dated accordingly.

10. Last date and time for lodging the form of proxy is Sunday, 13 September 2020 at 10.00 a.m.

11. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 3rd AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

12. For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with the Company's Share Registrar at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:

    i. If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.

    ii. If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
        a. at least two (2) authorised officers, of whom one shall be a director; or
        b. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

13. For the purpose of determining who shall be entitled to participate in this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, the **Record of Depositors as at 8 September 2020**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this 3rd AGM or appoint proxies to attend and vote in his stead.

Gagasan Nadi Cergas Berhad
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Bloomberg: **0206:MK**
Reuters: **GAGA.KL**

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