Management Discussion & Analysis

Dato' Azizan bin Jaafar
Group Chief Executive Officer

BUSINESS OVERVIEW

The Group is principally engaged in construction and property development activities within Malaysia. The construction division, a key contributor to revenue and operating income, specialises in the construction infrastructure, residential and commercial buildings, as well as purpose-built buildings. Notable jobs the Group has undertaken or are currently undertaking include the Klang Valley Mass Rapid Transit Line 1, Sungai Besi – Ulu Kelang (SUKE) Highway, Light Rail Transit 3 (LRT3) and Pusat Pentadbiran Sultan Ahmad Shah, the new Pahang State Government and State Assembly Complex. Meanwhile, the property development division is involved in the development of residential and commercial properties, as well as mixed development projects. In addition to that, the Group is also building a sustainable stream of recurring income, which began with the Petronas Basecamp in Sipitang and in the future, commercial properties in One Jesselton Waterfront.

We aim to build great infrastructure and properties via 4 key strategies. Firstly, by challenging existing conventions in design, building, quality, craft and value; secondly, by inculcating a learning organisation to drive innovation; thirdly, by cultivating a collaborative network of industry partners and thought leaders to create extraordinary products; and finally, establishing a performance-driven culture, emphasizing pride in work well done, inclusiveness, diversity and reward to attract the industry's best and brightest talents.

A REBORN GBG

In April 2016, the Group embarked on a massive restructuring exercise, spearheaded by the Group CEO, Dato' Azizan Jaafar. When the transformation plan was initiated, the Group identified several key areas that required much needed improvements. These were: a) mounting debt levels, b) a dwindling construction order book and c) a high operating cost base against revenue, signalling inefficiencies within the Group's operations.

Firstly, to tackle the mounting debt levels, the Group embarked on an asset monetisation strategy. We identified several non-core assets that could be monetised, which amongst others, include 3 parcels of lands in Selangor. Disposals of non-core landbanks resulted in the Group raising net cash proceeds of about RM58.0 million, of which RM25.6 million was received in FYE 2017. As a result, our net gearing level has been reduced to 0.11x as at FYE 2017, compared to 0.69x in FYE 2016.

Nevertheless, we still plan to be in the property development business, and as such, we continued on our development plans for 2 parcels of land under joint-venture agreements with the respective landowners. The property developments that we wish to still partake in include our ongoing development in Johor Bahru, dubbed The Peak and a mixed development in Kota Kinabalu. We foresee our Kota Kinabalu development, One Jesselton Waterfront, to be our flagship development with the potential to contribute a sizeable chunk of recurring income from the mall and hotel operations in the future.

A dwindling construction order book was a concern to the Group. Henceforth, upon the entry of Dato' Azizan Jaafar as our Group CEO, we revamped our contract procurement strategy which resulted to a major turnaround in our order book, which focused on large, top quality orders which are of national interest. As such, in 2016 and 2017, we managed to boost our construction order book by RM1.5 billion and RM1.3 billion respectively. A new milestone was also achieved in 2017, having secured our largest job to date worth RM1.13 billion from Prasarana Malaysia Berhad to construct and complete package GS04 of the Light Rail Transit 3 (LRT3). To compare, prior to the appointment of Dato' Azizan as the Group CEO, our total contract wins over 3 years was RM350 million vis-à-vis RM1.5 billion and RM1.3 billion that were clinched in FYE 2016 and FYE 2017 respectively.

Our high operating cost base was also a key reason on the need for The Group to be restructured. Our overhead costs as a percentage of revenue, a measure of operating efficiency, went to a high of 22.8% in FYE 2015. However, this ratio has seen a gradual drop to 16% and 14% in FYE 2016 and FYE 2017 respectively. This was executed by reducing the number of inefficient employees while boosting productivity and improving our internal management processes and implementing stringent cost controls.

We completed and delivered our portion of the Sungai-Buloh-Kajang MRT Line in 2016.

We are set to handover The Peak in 2018.

A successful organisation relies on the performance of one of its key assets – employees. Under the leadership of Dato' Azizan, we formed "TEAM GBG". Under "TEAM GBG", we explored new frontiers within the construction and property development industry, streamlined internal management process in a bid to improve efficiency. So far, we have been successful on this front, clearly evidenced by our financial numbers and efficiency ratios. Aside that, we also expanded "TEAM GBG" by bringing in new talents from various fields and backgrounds, to ensure our core divisions are being handled by industry experts. We also instilled a professional organisation working culture within the Group to build a resource of employees that are highly committed, rightly experienced and loyal, enabling us to deliver quality projects and in time.

We were constantly supported by our stakeholders during our transformation period in spite of the uncertain success when it was first initiated. The Group remains grateful for the patience, hard work and dedication demonstrated by our employees and business partners, including our subcontractors.

On the risk management side, we set in place a stringent set of risk mitigating policies. This is to ensure amongst others, claims submissions were settled on time. Aside that, to further improve our corporate governance, we moved to appoint more independent directors to the board, to ensure interests of both shareholders and stakeholders are protected.

Revenue

The Group recorded a total revenue of RM469.5 million for the FYE 2017, an increase of 42.2% or RM139.4 million, compared to RM330.1 million in the previous year. The improved performance stems from higher contributions from new and completed construction projects in 2017, coupled with sales from property development and land bank.

The construction division contributed RM365.7 million or 78% of the Group's revenue in FYE 2017, a RM146.2 million increase compared from the previous financial year. Revenue for the construction division was mainly contributed from the work progress for the Sungai Besi – Ulu Kelang Elevated (SUKE) Highway, Pusat Pentadbiran Sultan Ahmad Shah (PPSAS) and Light Rail Transit 3 (LRT3) projects.

The property development division contributed RM92.4 million or 20% of the Group's revenue in FYE 2017. Key drivers to revenue were land sales.

Profitability

In FYE 2017, the Group reported a profit after tax of RM49.6 million compared to RM28.3 million reported in FYE 2016, which represents a 75.4% year-on-year growth. The significant turnaround was driven by higher recognition of revenue from our construction division. In addition to the higher work progress, the improvement in earnings is also attributed to a success of the Group's transformation plans, which focused on reducing finance costs as well as improving cost efficiencies within the Group via more strategic placement of resources.

The Group reported gross profit of RM143.8 million in FYE 2017, a 64.1% year-on-year rise compared to RM87.6 million in FYE 2016, mainly driven by a robust construction division. The significant contributions for the construction division came from the progressive stages of construction for the Sungai Besi – Ulu Kelang Elevated (SUKE) Highway, Pusat Pentadbiran Sultan Ahmad Shah (PPSAS) and Light Rail Transit 3 (LRT3) projects. In addition, the Group also recognized a RM47.08 million variation order for its already-completed Klang Valley Mass Rapid Transit Line 1 (MRT1) project.

Function room at The Peak.

Financial Position and Liquidity

As at FYE 2017, our total borrowings stood at RM188.2 million, a 30% or RM80.3 million drop compared to FYE 2016. This has resulted in our net gearing level to reach 0.11x, surpassing our pre-listing net gearing level of 0.14x. In comparison, our net gearing as at FYE 2016 stood at 0.69x. As a result in the reduction in borrowings, our interest cost has been slashed by 17% year-on-year to RM12.6 million for FYE 2017, compared to the RM15.2 million reported in FYE 2016. Going forward, we would strive to further improve our net gearing ratio.

To reduce our borrowings, in 2016, we identified several non-core assets that could be monetised. As a result, we disposed off, among other assets, 3 parcels of lands in various parts of Selangor. As a result, we managed to raise net cash proceeds of about RM58.0 million, of which RM25.6 million has been received in 2017, while the remaining RM32.4 million is expected to be received this year. Though there was revampment in its property landbank, the Group still kept properties that would be high-yielding, which include 2 parcels of land under joint-venture agreements with the respective landowners. The property developments that we wish to still partake in include our ongoing development in Johor Bahru, dubbed The Peak and a mixed development in Kota Kinabalu named One Jesselton Waterfront.

Market capitalisation was RM870.3 million, based on a closing price of RM1.93 per share as at 31 December 2017. Equity attributable to owners of the parent company was RM463.17 million as at 31 December 2017 with net assets per share of RM1.03.

Year	Share Price (RM) Low	Share Price (RM) High	Market Market Capitalisation as at 31 December (RM million)
2012	1.07	1.21	387.5
2013	0.88	1.70	376.5
2014	1.05	1.86	485.6
2015	0.82	1.38	324.1
2016	0.82	1.18	353.3
2017	0.89	2.00	870.3

The Group recorded lower negative cash and cash equivalents of RM18.7 million, an improvement from the corresponding negative figure of RM38.4 million in FYE 2016, mainly attributed to net cash generated from operating activities of RM163.8 million. The cash and bank balances increased to RM11.2 million in FYE 2017 from RM2.4 million in FYE 2016, while fixed deposits with licensed banks increased to RM39.1 million in FYE 2017 from RM29.6 million in FYE 2016. The cash and bank balance position will further improve in future with the expected inflow of RM32.4 million from the sale of land which is expected to be received in 2018.

Dividend

As part of the successful transformation exercise, the Group has recommenced its payment of dividends. The quantum of dividends is determined after taking into account, inter alia, the level of available funds, the amount of retained earnings, capital expenditure commitments and other investment planning requirements.

For FYE 2017, the Group declared total dividends of 2.0 sen per share, which comprises of an interim dividend of 0.5 sen per share and a special dividend of 1.5 sen per share, paid on 21 December 2017. In FYE 2016, the group did not undertake any dividend payments.

OPERATIONS REVIEW

Construction

As at 31 December 2017, the Group's outstanding construction order book stood at RM2.8 billion, which would easily sustain our earnings momentum till the year 2020. During the Financial Year 2017, the Group managed to clinch in two new jobs, including its largest contract to-date worth RM1.13 billion, which involves the construction of guideways, stations, park and ride facilities for the Light Rail Transit 3 (LRT3) project and a RM189.2 million contract to build 1,004 homes in Kota SAS, Kuantan.

Looking ahead, the Group is optimistic on the potential growth of the construction division, primarily driven by the strong pipeline of new projects that are coming on stream, which includes the East Coast Rail Line, Pan Borneo Highway Sabah and building works in Kota SAS.

SUKE Highway

The estimated value of Package CA3 for the execution and completion of bridge structure works from CH4200 to CH7800 of the SUKE Highway is valued at a contract sum of RM627.9 million. The project commenced on 29 August 2016 and is scheduled to be completed in 2019. The project is currently at 17% stage of completion.

Our RM627.9 million Package CA3 is currently 17% completed.

Pusat Pentadbiran Sultan Ahmad Shah, Kota SAS ("PPSAS")

We secured the RM361.0 million job back in December 2016. The project involves the construction of the entire Pahang Government state complex in Kuala Kuantan, Pahang and is expected to positively contribute to both revenue and profits for the construction division. Construction works commenced back in December 2016 and is expected to be completed in the first quarter of 2020. Currently, the project is at 46% stage of completion.

Construction of Pusat Pentadbiran Sultan Ahmad Shah in Kota SAS is at 46%.

PR1MA Gambang, Kuantan

The project involves the construction of 2,186 residential units and 36 retail units under the 1Malaysia People's Housing Programme or PR1MA. This affordable housing scheme project, which commenced on 30 September 2016, is valued at RM389.2 million and is currently 14% completed.

Earthworks has completed for PR1MA Gambang. Project is 14% completed.

Light Rail Transit 3 (LRT3)

In October 2017, we secured package GS04 of the Light Rail Transit 3 project worth RM1.13 billion, our largest contract to-date. The project involves the construction of guideways, stations, park and ride facilities. Currently, the project is at 4% stage of completion.

Bored piling works for LRT3 have commenced with project 4% completed.

Landed Homes in Kota SAS

In November 2017, we were appointed the turnkey contractor by KotaSAS Sdn Bhd as a turnkey contractor to build 1,004 landed homes in Kota SAS Kuantan worth RM189.2 million. We expect construction for the homes to begin in 4Q18.

The Peak, Iskandar Malaysia

The Peak, constituting of serviced apartments within Flagship A of Iskandar Malaysia, Johor Bahru, is one of the Group's projects with a project value of RM251.99 million. We expect this project to complete by June 2018.

One Jesselton Waterfront, Kota Kinabalu

This mixed development project, located at the new Kota Kinabalu waterfront, is now one of the most prime areas of land in Sabah. The project has an estimated net sales value (NSV) of RM1.8 billion is expected to kickstart at the end of 2018.

In line with the Group's entry to Sabah, the Group has, through its wholly-owned subsidiary Sinajasa Sdn Bhd, undertook a joint-venture with the Sabah Economic Development Corporation and holds 49% in SEDCO Precast Sdn Bhd ("SEDCO Precast"). SEDCO Precast is an IBS-status manufacturer, engaged in the manufacturing and sales of concrete and pre-cast concrete products in Sabah. Given our strong partner in this joint-venture, we are optimistic on the chances of SEDCO Precast to be a key supplier of precast manufactured products for the Sabah Pan Borneo Highway.

Property Development

In FYE 2017, the property development division reported revenue of RM92.4 million, a 9.5% decline compared to FYE 2016. The decline in revenue is mainly due to lower land sales that were recorded in FYE 2017 and fewer ongoing property developments. Presently, we are in the midst of completing a development in Johor Bahru dubbed The Peak and would commence our iconic One Jesselton Waterfront development in Kota Kinabalu this year. As at 31 December 2017, our unbilled sales of sold units amounts to approximately RM122.1 million, while our unsold property units valued at RM590.8 million.

Installation of Aluminum Frames & Window are underway. Handovers to owners are expected in 2018.

The Peak, Johor Bahru

The Peak is a high-rise property development in Johor Bahru. As at 31 December 2017, the development has achieved a take-up rate of about 30%. However, the Group plans to restart its marketing efforts closer to the completion of the development as it believes demand for properties in Johor Bahru would start to pick-up post the recent signing of bilateral agreement between Malaysia and Singapore for the development of the Johor Bahru – Singapore Rapid Transit System (RTS).

The Avenue, Kinrara Uptown

The Avenue in Kinrara Uptown, Phase I is situated in Lestari Perdana, Puchong, Selangor. The project comprises 2-storey and 4-storey shop units serving the local neighbourhood and was launched in late 2014 with a GDV of RM225.1 million. To date, there is only a balance of 4 units unsold.

Contours, Melawati Heights

Contours comprises 40 units of freehold, gated and guarded twin courtyard villas in Melawati Heights, Kuala Lumpur. The project, featuring a private lift for each villa, was launched in July 2010 and completed in March 2014 with a GDV of RM157.4 million. To-date, 33 units have been sold.

One Jesselton Waterfront, Kota Kinabalu

A joint-venture with Suria Capital Holdings Berhad, One Jesselton Waterfront is located on 7 acres of prime waterfront real estate in Kota Kinabalu, Sabah and carries a minimum of RM1.8 billion in net sales value (NSV). This mixed development project will feature a shopping mall, corporate offices, serviced suites and apartments, condominiums, as well as car park facilities and a ferry ticketing office. Physical works for the project is expected to commence in 4Q18.

Key development components of One Jesselton Waterfront.

One Jesselton Waterfront is strategically connected between the ferry and international cruise terminal.

Business Operations

The Group constantly strives to improve operational efficiency through a review of business strategies for each reporting division. The continuous effort has yielded favourable results. Our overhead costs as a percentage of revenue, a measure of operating efficiency, went to a high of 22.8% in 2015. However, this ratio has seen a gradual drop to 16% and 14% in FYE 2016 and FY2017 respectively. This was executed by reducing the number of inefficient employees while boosting productivity and improving our internal management processes as well as tightening our risk management policies.

Aside that, our financing cost in FYE 2017 we reduced by 17.2% to RM12.6 million, due to a significant drop in borrowings. Also, from the balance land sale proceeds amounting to RM32.4 million, we expect our financing costs to continue trending down. Looking ahead, we expect further improvement in our gearing.

RISK EXPOSURES

Financial Risk

Interest rate fluctuations would affect Group earnings, given that our borrowings and the payment of interest are dependent on prevailing interest rates. In addition, certain restrictive covenants in credit facility agreements entered by the Group with banks and financial institutions may limit our operating and financial flexibility. Any breach of such covenants may give rise to the financiers' right to terminate the credit facility and/or enforce any security granted in relation to the particular credit facility.

We currently enjoy good credit standing and have adequate credit facilities for operations. Our Management also closely monitors Group compliance with all covenants and takes precautions necessary to prevent any breaches.

Supply and Cost of Raw Materials

The main raw materials used in Group operations such as steel bars, ready-mixed concrete, timber and building materials are sourced within Malaysia. However, any future shortage of raw materials or an increase in their respective costs would create an adverse impact on our cost of goods sold. We have not, to date, encountered a shortage of main raw materials nor difficulties in procuring these goods at competitive prices since these raw materials are sourced from a varied base of suppliers; hence there is no over-dependence on any single supplier.

Dependence on Supply of Foreign Workers

The Group does not directly employ foreign workers, but our sub-contractors do. As such, our business operations are indirectly dependent on foreign workers due to the shortage of local workers in the construction industry. In the event there are Government restrictions imposed on the number of foreign workers allowed to be employed for a project, the completion of our construction or property development projects may be delayed, resulting in an increase in overheads which may adversely affect our Group's financial performance.

Moving forward, we anticipate the higher use of IBS components in our projects, thus reducing manpower requirements per project and consequently reduce the need for hiring foreign workers by our sub-contractors.

Cost Overruns

Additional costs arising from unforeseen circumstances not factored into the contract value or selling price of properties such as adverse soil conditions, unexpected construction constraints at work site, fluctuations in price of raw materials, and increase in pricing of sub-contractor services may lead to cost overruns which would have to be absorbed by the Group. Since none of our sale and purchase agreements for property transactions allow for subsequent adjustment to the selling price, cost overruns will adversely affect the project's profit margin and in turn, Group profitability.

We adhere to detailed planning and budgeting prior to tendering for construction projects and commencement of property development projects to mitigate the risk of cost overruns. In addition, wider acceptance of IBS components by customers will reduce the number of construction workers required, minimize wastage, shorten the construction period, and decrease labour costs.

Government Regulations and Controls

The operations of our construction division are subject to the terms of the licences awarded by CIDB, which sets out the types and nature of activities that a construction company in Malaysia can undertake. Any breach of terms of these licences will result in substantial fines and criminal prosecution, permit revocation, cessation of or restriction in operations, and remedial work to be undertaken.

Likewise, the property development division is subject to various state and federal government regulations and laws and local authorities' policies affecting the issuance of land titles, development planning, design and construction, payment of premium, and limit on ownership of properties by foreigners. Changes to existing regulations and laws, or the introduction of new policies in the future may require the Group to incur additional costs or affect its financial position.

GROUP OUTLOOK

The Group anticipates a better performance in FYE 2018 as the construction progress for its ongoing construction jobs picks up pace with the potential of an expanding order book. We also expect a turnaround in the property development division as we plan to increase our marketing efforts for The Peak and also begin launching our flagship One Jesselton Waterfront development in Kota Kinabalu, Sabah.

Construction division

Looking ahead, the Group envisions increasing its construction order book by a further RM1.5 billion by first half of the Financial Year 2018 which will continue to positively contribute to the Group's revenue and profit sustainability up to year 2021.

The Group is optimistic on its chances to secure a portion of the civil and structure works in relation to the East Coast Rail Line (ECRL), given its active presence and cordial relationship with the state Government of Pahang. Its strong presence in Pahang is evidenced by its to date of over RM974.4 million worth of Pahang-State related infrastructure and building jobs secured.

With our strong presence in Sabah, the Group is optimistic that it could secure part of the construction work packages for the Pan Borneo Highway Sabah. Due to our strong working relationship, we have partnered with one of Sabah State's company, Suria Capital Holdings Berhad to jointly bid for construction contracts for the Pan Borneo Highway Sabah. As announced by the Borneo Highway Project Delivery Partner Sdn Bhd (BHP), Phase 1 of the Pan Borneo Highway Sabah would stretch 706 km and costs RM12.86 billion. The Highway is scheduled to be fully completed by the end of 2021.

We also look forward to secure more construction jobs in Kota SAS. Presently, we are undertaking two key jobs in Kota SAS which are: a) the construction of the new Pahang State Assembly Complex (PPSAS) and b) a contract to design and build 1,004 units of landed homes together with its infrastructure. Going forward, we continue to be optimistic to secure more infrastructure and building jobs in Kota SAS, which are mostly government related buildings.

Property development division

Our property development division would continue to focus on achieving new milestones for our flagship development, One Jesselton Waterfront in Kota Kinabalu as well as to complete our Johor Bahru development, The Peak. As at 31 December 2017, our unbilled sales of sold units amounts to approximately RM122.1 million, while our unsold property units valued at RM590.8 million.

The One Jesselton Waterfront is expected to generate RM1.8 billion in Net Sales Value (NSV) for the Group. In addition, our construction and pre-cast concrete manufacturing arm would also benefit given the significant value of construction work that is required to complete the development. We also expect positive forthcoming developments from our potential future partner, Tera Capital Ltd, a company based in Singapore, which has expressed interest via a Memorandum of Understanding to jointly develop One Jesselton Waterfront.

Overall, from year 2018 onwards, the Group is poised for significant growth stemming from its key divisions which are construction and property development. We believe our strong presence in both the Pahang and Sabah States will be the key anchor to propel us for further growth.

Business Environment

In its annual report, Bank Negara is expecting Malaysia's economy to grow at a firm pace of beween 5.5% and 6% in 2018, versus 5.9% in 2017, with domestic demand remaining the anchor for growth.

The private sector expenditure will remain the key driver of growth, underpinned mainly by continued growth in wages and employment, business optimism and favourable demand. Bank Negara expects the private consumption growth to be sustained at 7.2% in 2018. The key factors that will support consumption spending during the year include continued growth in employment and income, lower inflation, and improving sentiments.

In 2018, labour market conditions are expected to remain favourable and supportive of growth. This is underpinned by continued strong economic activity and improving hiring sentiments. Employment is expected to remain expansionary, and job growth will be sufficiently robust to absorb new entrants into the labour force. Hence, unemployment rate is expected to be relatively unchanged at between 3.2% - 3.5% (2017 unemployment rate at 3.4%).

Construction

During the Budget 2018 announcement, the Government indicated that the construction sector would continue to be a key focus. It plans to further improve the public transport system in Malaysia, mostly focusing on the rail system. In 2018, several significant events to the construction sector is expected to take place, particularly in terms of job awards. Key jobs that are expected to be rolled out include the East Coast Rail Line (ECRL), the Sabah Pan Borneo Highway, Mass Rapid Transit Line 3 (MRT3) and the KL – Singapore High Speed Rail (HSR). These mega projects are expected to further propel the already robust growth within the construction sector. We are optimistic that construction order book growth for our construction division to be promising.

PROPERTY DEVELOPMENT

Our ongoing and future property developments are located in Johor Bahru, Kota Kinabalu and Selangor.

Johor Bahru

We anticipate a positive property market outlook for Johor Market 2018 onwards. One of the significant catalyst that will spur up the market is the bilateral agreement between Malaysia and Singapore for the construction of Johor Bahru-Singapore Rapid Transit System (RTS) which was signed in Jan 2018. Upon completion in 2024, the RTS will provide seamless public transportation from Johor Bahru Bukit Chagar Station to Singapore Woodlands North Station with capacity of 10,000 passengers each direction every hour. To complement the RTS, BRT system with station right in front of The Peak development will connect The Peak to RTS Bukit Chagar Station with estimated travelling time of 15 minutes only, providing Peak residents hustle free integrated public transportation to Singapore. The BRT which is scheduled to complete in 2021 will also connect to the HSR station with estimated travelling time of 25 minutes from The Peak. Apart from that, Eastern Dispersal Link (EDL), which passes in front of The Peak and connects to JB City Centre and RTS is already toll free effective 1 Jan 2018, saving the average motorist RM16.50 per roundtrip. With the seamless public transportation systems (BRT, RTS and HSR) integration in place and major highways within door steps, The Peak, which is strategically located will be a well sought after property.

Kota Kinabalu

Kota Kinabalu is increasingly gaining popularity to be a prominent destination in Asia. Tourist arrivals has increased from 2.87 million in 2012 to 3.68 million in 2017. According to UKAS' projections, tourist arrivals to Kota Kinabalu is expected to hit 9 million by year 2020. With the government the government's implementation of the Pan Borneo Highway Sabah and other infrastructures, Kota Kinabalu will emerge as a more prominent hub for East Malaysia and Asia region.

One Jesselton Waterfront at Jesselton Waterfront City, accredited as a Tourism Oriented Development (TOD) and a Transport Oriented Development (TOD), is a destination within a destination. One Jesselton Waterfront is sandwiched between JP Ferry Terminal and International Cruise Terminal. Also, with the proposed BRT station which is 400 meters away and the Sabah International Convention Centre (SICC), which is 800 meters away, One Jesselton Waterfront is strategically located at the epicentre of Jesselton Waterfront City and will be the jewel of the crown.

Selangor

Selangor housing industry is looking forward to an exciting 2018 as the public has become more vocal in expressing their needs for affordable housing in the price range of RM250,000 to RM500,000.

This is in line with Bank Negara Malaysia 2017 annual report "The Living Wage: Beyond Making Ends Meet" that stated provisional estimates of a living wage in Klang Valley from RM2,700 per month for single adult and RM6,500 per month for couple with two children. Median income in Kuala Lumpur being RM9,073 per month. The provisional estimates of living wage translate into affordability of housing loan with monthly repayment between RM1,500 to RM2,500.

CBRE 2018 Real Estate Market Outlook stated that residential units with good transportation connectivity poised to be properties that will be well sought after in the market.

Flanked by Elite Highway, SKVE, LDP, Mex Highway and Lingkaran Putrajaya, E'Island is located in the hustle city of Puchong, Selangor. It is a direct lake front development over 19 acres with 1,140 units over 4 blocks of condominiums with direct access to LDP, Elite and SKVE. The development is 15minutes to Bandar Puteri Puchong and 20minutes to Cyberjaya and Putrajaya, with 9 shopping malls and hypermarts and 7 higher education centers within 10km radius.

E'Island is a product created to meet the market demand with affordable price range of RM280,000 to RM495,000 but however with condominium living facilities. The development comes with lakefront play pool with slides, lakefront gymnasium, lakefront boardwalk/jogging and cycling track, indoor badminton courts, indoor futsal court, indoor basketball court, kindergarden and nursery, convenient stores and many more. It is also equipped with state of the art smart phone bluetooth access control and carpark storage area. All four blocks are designed with dedicated high ceiling main lobbies with covered drop-off. There are also 32 special garden units with private gardens and direct access to sheltered carpark in front of the units at ground floor. E'Island is scheduled to be soft launched in 4Q18 with anticipation of overwhelming response from the market.

E' Island Residence.

OTHERS

SEDCO Precast

We pride ourselves to be a 49% shareholder of one of the largest pre-cast component manufacturer in Sabah, SEDCO Precast Sdn Bhd. SEDCO Precast Sdn Bhd operates on an 18.67-acre parcel of land in Tuaran, Sabah. The plant currently has an annual production capacity of 36,000 MT, which could be expanded to 150,000 MT per annum. Aside from gunning the construction jobs for the Pan Borneo Highway Sabah, the Group is also poised to secure significant orders for pre-cast components for the Pan Borneo Highway Sabah via SEDCO Precast Sdn Bhd. Also, given the fact that the remaining 51% stake in SEDCO Precast is owned by the Sabah Economic Development Corporation, we are optimistic on our chances to secure orders for pre-cast components for the Sabah highway.

SEDCO Precast Batching Plant in Tuaran, Sabah.

Petronas Basecamp in Sipitang, Sabah

Part of the Group's strategy is to expand its recurring income base. In line with the strategy, we entered into a 5+5 years rental agreement with Petronas to provide "base-camp" facilities to its employees in Sipitang, Sabah. The project was completed and handed over in March 2016, and generates a recurring revenue of RM2.84 million per quarter for the Group. Going forward, more of such facilities could be built by the Group.

With the finalisation of the proposed fertiliser producing plant at the Sipitang Oil & Gas Industrial Park (SOGIP) Phase 1 by chemical giant, EuroChem Group and construction and technology firm Maire Tecnimont SpA, the Group could be the potential beneficiary with the opportunity to expand the accommodation facilities for the aforesaid plant.

EuroChem, one of the world leading fertiliser companies is combining strength with Maire Tecnimont SpA of Italy, an international engineering and construction specialist to bring this project to fruition.

Aerial View of the Petronas Basecamp in Sipitang.