GDB HOLDINGS BERHAD

201301006623 (1036466-U)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE EIGHTH ANNUAL GENERAL MEETING ("8TH AGM") OF GDB HOLDINGS BERHAD ("GDB" OR "THE COMPANY") HELD ON A FULLY VIRTUAL BASIS AND ENTIRELY VIA REMOTE PARTICIPATION AND ELECTRONIC VOTING ONLINE MEETING PLATFORM OF LUMI ONLINE PROVIDED BY BOARDROOM SHARE REGISTRAR SDN. BHD. VIA ITS WEBSITE AT HTTPS://WEB.LUMIAGM.COM WHICH WAS DEEMED TO BE HELD WHERE THE CHAIRMAN OF THE MEETING WAS IN PETALING JAYA, SELANGOR DARUL EHSAN, MALAYSIA ON MONDAY, 9 JUNE 2021 AT 10:30 A.M.

Q1. With regards to the Company's outperforming financial results, will there be a twofold increase in dividend?

The Company maintains a dividend policy of up to 30% of the profit attributable to owners of the Company. The Board considers the distribution of dividend as well as to ensure that we strike a balance between shareholders returns, cash flow position and growth opportunities of the Group.

Q2. How much has the Company spent to host the current virtual AGM and EGM? Furthermore, will the Board be providing its shareholders with e-wallet or e-voucher gifts as a token of appreciation for attending this RPV, especially during this challenging Full Movement Control Order period?

The total cost for the virtual AGM and EGM is approximately RM25,000 excluding SST and OPE. We appreciate your support and thank you for your participation in this Meeting. For the shareholders, the dividend payment by the Company is more valuable than the e-vouchers. The Company has rewarded the Shareholders with two (2) rounds of interim dividends for the financial year ended 31 December 2020 ("FY 2020").

Q3. Does the Company plan to diversify into new markets, products, or businesses?

Our plan to expand into the infrastructure segment to strengthen our position in the construction sector remains in place. We are still looking for a suitably qualified candidate to lead our infrastructure project team.

Q4. Overall, is the Company confident in completing its projects on time? Furthermore, which project(s) is/are likely to require an extension of time?

With the various implemented Movement Control Orders ("MCO"), alongside stricter standard operating procedures ("SOPs") to be complied with, the progress of all ongoing projects will be impacted. We will continue to monitor the duration of lockdown and its impact on the progress of our projects. As a mitigation measure against the imposition of Liquidated Ascertained Damages ("LAD") claims by the Employers, the Company will monitor closely the situation and apply for an extension of time ("EOT") in a timely manner.

Q5. What is the current rebar price? With the near 2B order book, what would be the extent of the impact on its overall profitability?

The current rebar price is around RM3,350 per metric ton. The extent of the impact on the Company's ongoing projects depends on the stages of construction and utilization of rebar for each project. Based on the current rebar price, the estimated impact towards profit for those projects under the early stage of structure works construction will be about 1% to 2% of contract sums.

Q6. Is the Company currently facing manpower issues? As of now, many companies face difficulty in mitigating labour supply, will there be a significant hike in labour costs?

Yes, most companies are facing manpower issues, especially during this pandemic period. Our Group has been sub-contracting various trade works to sub-contractors who will engage workers of different skill sets to carry out the jobs. Most of these sub-contractors are keen to maintain a business relationship due to our Group's prompt payment record. So far, our Group is not facing a significant hike in labour costs.

Q7. The trade receivable is showing an increasing trend with increasingly negative free cash flow. Trade receivables have increased by RM20 million, from RM33 million to RM53 million, what is the Company's detailed breakdown of receivables according to projects? Furthermore, the Company's Annual Report 2020 ("AR 2020") is inaccurate due to 8 Conlay being only awarded at the end of 2020, is there any delay on the collection for the 8 Conlay project?

We are not in a position to disclose the detailed breakdown of our receivables. Nevertheless, the increase in approximately RM20 million is mainly due to the timing of billings and collections as at the reporting dates. Regarding the trade receivables ageing of our Group as of 31 March 2021, most of the outstanding receivables that were past due for more than 30 days have since been collected as of present. Thus far, the payments for 8 Conlay have been within our expectations.

Q8. There were 2 sites impacted by Covid-19 clusters, can the management specify which project sites were they? Besides that, Hyatt Centric in Sabah was also affected by Covid clusters, will remedial actions be taken?

The two projects' site that were impacted by Covid-19 cluster, namely the Perla Ara Sentral and Park Regent projects, had been disclosed in the Unaudited Consolidated Quarterly Financial Results of the Group for the first quarter ended 31 March 2021 ("Q1 2021")("Quarterly Report for Q1 2021").

We adhere strictly to the guidelines and SOPs issued by the relevant authorities to contain the Covid-19 outbreak, such as Covid testing, quarantine, and site disinfection. We have resumed operation for the said projects' site within 14 to 17 days from the work stoppage. However, site operation is now interrupted due to the current full MCO.

All our other projects, including Hyatt Centric, are similarly subjected to stricter compliance of SOPs and interruption as a result of the impositions of MCO 2.0, MCO 3.0, and the current full MCO. As mentioned earlier, we will monitor closely our projects' progress and any impact arising from the pandemic and apply EOT in a timely manner in accordance to the terms and provisions of the projects respectively.

Q9. What are the projects' progresses on the current sites? From the site progress video (particularly 8 Conlay and Park Regent), it seems as if progression is lagging.

With regards to the 8 Conlay project, it is still in its early stages of construction as the main contract with site mobilization works had only commenced since 23 November 2020.

On the other hand, the Park Regent project at Desa Park alongside all of our other ongoing projects are expected to be delayed due to mandatory procedures undertaken in order to comply with the various MCO requirements imposed by the Government.

Q10. Where does the current order book stand as of today?

We are unable to provide our Group's current order book. However, based on our Quarterly Report for Q1 2021, our Group's outstanding order book amounted to RM1.94 billion as of 31 March 2021.

Q11. How much worth of new job(s) have the Group won within the current year (2021) as of to-date?

Our Group's current tender book stands at approximately RM1.30 billion. Our Group has secured RM11.7 million worth of substructure projects and is targeting about RM500 million worth of new orders for the year 2021.

Q12. The price of construction materials has spiked in the current year. How does the Group manage this risk, and whether this will significantly impact the profit margin?

The current price hike is mainly attributed to rebar price, but the extent of the impact on the Company's ongoing projects depends on the stages of construction and utilization of rebar for the respective projects. The current estimate of the impact on profit from the price hike on construction material is about 1% to 2% for a project at its early stage of construction.

Q13. The gross profit margin had dropped from 13.3% in the financial year ended 31 December 2019 ("FY 2019") to 11.6% in FY 2020. What has caused the drop in gross profit margin and whether it will drop further in the current financial year?

The decline in gross profit margin is mainly caused by machinery idling costs, alongside fixed and operational staff costs during MCO 1.0 during which there were no revenue contributions, and the subsequent enforcement of varying phases of MCO during which our Group had to incur high compliance costs such as providing Covid swab tests, sanitisation, and providing workers with quarantine areas.

Q14. As per Note 8 to the financial statements, the Group has assessed the recoverable amount of goodwill of its investment in subsidiary GDB Geotechnics Sdn. Bhd. ("GDBGSB") and determined that no impairment is required. However, GDBGSB made a net loss of RM2.6 million in FY 2020, and remained only RM44,000 worth of net assets at the end of FY2020. Could the management elaborate why no impairment to the goodwill is required? Moreover, did the management assess whether any impairment of GDBGSB's property, plant, and equipment is required? What is the management's plan to turn this subsidiary to become profitable?

The acquisition of GDBGSB was intended to enable GDB to venture into the pilling business, expand its customer base, and create opportunities with an added scope of jobs that the Group can tender for. Nevertheless, for the jobs which our Group has secured since the acquisition in October 2019, our Group has not been able to reap the benefits of the intended synergy.

The Management has assessed the 5 years profit and cash flow projections of GDBGSB, and its outstanding tender book of RM314.4 million as of 31 December 2020 and is of the view that no impairment is necessary. Its tender book which is for a total of 14 tenders comprises of residentials, soho & residential, hotel, mixed development and office projects.

Since the acquisition by GDB on 1 October 2019, GDBGSB has been engaged aggressively in its tender exercises and jobs secured to date include Aviary Residence Stage 1 in 2019, Kencity CBP, BH Builder Sales Gallery in 2020, and the GLM Emerald Square Phase 2 in February 2021. The newly secured GLM Emerald Square Phase 2 is for a contract value of RM11.7 million for a contract duration of 10 months commencing from 1 March 2021 to its scheduled completion by 31 December 2021.

Barring unforeseen circumstances, the Management is of the view that GDBGSB will turn profitable within 5 years by 2025.

Q15. As per Note 9 to the financial statements, the Group expects to recognise RM844 million of performance obligations as revenue in FY 2021. Based on the Quarterly Report for Q1 2021 results announced, the Group's revenue was recorded only at RM111 million (13.2% out of RM844 million). How confident is the management in achieving this target?

The lower revenue recognition for Q1 2021 of RM111 million is mainly a result of lower revenue contribution from the AIRA project, which was completed in Q1 2021 as well as a temporary interruption of works of all ongoing projects resulting from the imposition of MCO 2.0 in mid-January 2021 which necessitated tests and workers' quarantine, alongside work stoppages for the Perla Residence and Park Regent project for 14 to 17 days caused by Covid cases.

The targeted revenue of RM844 million for the FY 2021 was our Group's projection before the imposition of the current MCO. We expect the revenue for FY 2021 to be impacted depending on the duration and extent of the lockdown. Be that as it may, the lower than forecasted revenue in FY 2021 would spill over to the following FY 2022 and FY 2023.

Q16. As per Note 18 to the financial statements, the accruals had increased by RM34.5 million from RM42.2 million in FY2019 to RM76.7 million in FY 2020. Why is there such a high increase in accrued costs of construction projects?

As stated in Note 18(c) on page 91 of the AR 2020, the increase in accrued costs is mainly for construction costs for ongoing projects. The increase includes costs accrued for the newly secured 8 Conlay project.

Q17. As stated on Page 114 of the financial statements – list of property, the shop offices acquired in June 2019. However, there were no depreciation charges for the freehold buildings in FY 2019 (refer to page 85 to the financial statements). Is there any omission of depreciation in FY 2019?

The CCC (i.e. Certificate Completion and Compliance) for our corporate office building was only issued towards the end of December 2019. The certification of fitness for occupation was issued right before we moved into the said building, hence no depreciation was charged for the FY 2019.

Q18. With respect to Ordinary Resolution 2 – To re-elect the Director, Tan Sri Dato' Ir. Hj. Zaini Bin Omar, Tan Sri Dato' has missed one Board Meeting, one Audit Committee Meeting, and one Risk Management Committee. Why did Tan Sri miss these meetings, and whether Tan Sri had devoted sufficient time to the roles?

Tan Sri Dato' Ir. Zaini bin Omar had only missed the meetings held on 19 August 2020 due to his health reason. All these three meetings, namely Risk Management Committee Meeting, Audit Committee Meeting and Board Meeting were held in succession on the same day.

Q19. Will GDB consider holding virtual AGM in the future so that shareholders from far away can take part as well?

We appreciate the opportunities to interact face-to-face with our shareholders. However, the Board stands guided by the regulatory rulings on virtual or physical AGMs in the future.

Q20. Will there be any impact of the general election due to politics to GDB?

GDB is apolitical, however, the overall construction sector would be influenced by the general economic sentiment. Our Management has undergone various economic fluctuations and will adapt to its execution strategies accordingly.