GADANG HOLDINGS BERHAD
(278114-K)

Moving Ahead with RESILIENCE

annual report 2011

Like sturdy trees growing steadfastly amidst a challenging environment, Gadang's businesses too have weathered the difficulties of an uncertain economic climate to emerge stronger and more resilient. Like trees with thick, deep roots, our diverse businesses have a strong grounding. Akin to bountiful trees with flourishing foliage, we offer our stakeholders a canopy of protection. Together with our strong strategic focus and ability to adapt to market needs, Gadang is well positioned for steady and sustainable growth.

Moving Ahead with **RESILIENCE**

FINANCIAL CALENDAR

ANNOUNCEMENT OF RESULTS

First Financial Quarter ended 31 August 2010	28 October 2010
Second Financial Quarter ended 30 November 2010	27 January 2011
Third Financial Quarter ended 28 February 2011	28 April 2011
Fourth Financial Quarter ended 31 May 2011	28 July 2011

PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS

Notice of Annual General Meeting	25 October 2011
ANNUAL GENERAL MEETING	17 November 2011

18th Annual General Meeting

Date: Thursday 17th November 2011

Time: 10.00 a.m.

Venue: Sime Darby Convention Centre

contents

CIVIL ENGINEERING & BUILDING CONSTRUCTION

PROPERTY DEVELOPMENT

MECHANICAL & ELECTRICAL ENGINEERING

WATER CONCESSION

PLANTATION

Corporate Profile

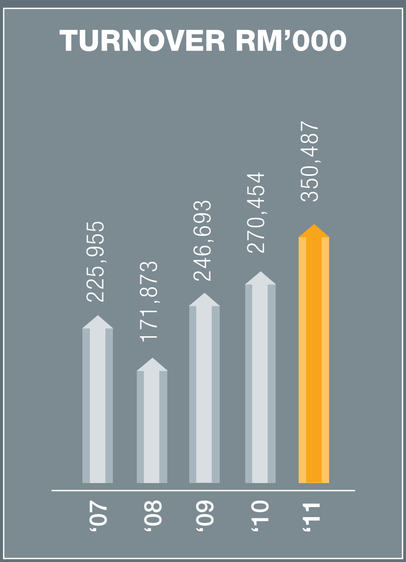
Gadang Holdings Berhad (“Gadang” or the “Company”) was incorporated in Malaysia on 6 October 1993 as a public limited company under the name of Lai Sing Holdings Berhad and was subsequently changed to its present name on 7 November 1997.

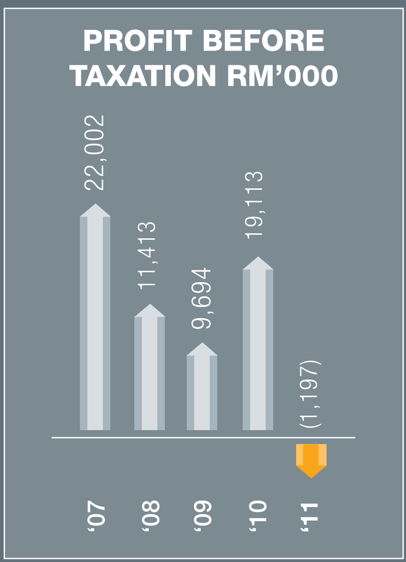
Gadang was listed on the Second Board of Bursa Malaysia Securities Berhad on 2 September 1994 under the Construction Sector. Subsequently, it was transferred to the Main Board (currently named as Main Market) under the same sector on 24 December 2007.

Gadang is an investment holding company while its subsidiaries' core businesses are in civil engineering and construction, property development, water concession, mechanical and electrical engineering services and general trading. As part of the Group's diversification exercise, Gadang had in April 2009 ventured into oil palm plantation through its indirect wholly-owned subsidiary, Desiran Impian Sdn Bhd.

Financial Highlights

YEAR ENDED 31 MAY (RM'000)	2011	2010	2009	2008	2007
TURNOVER	**350,487**	**270,454**	**246,693**	**171,873**	**225,955**
Engineering & Construction	299,836	201,264	177,562	111,191	158,133
Property Investment & Development	35,950	55,614	54,821	48,531	60,343
Water Concession	14,692	13,497	11,376	5,888	3,810
Investment & Others	9	79	2,934	6,263	3,669
	350,487	**270,454**	**246,693**	**171,873**	**225,955**
PROFIT/(LOSS) BEFORE TAXATION	**(1,197)**	**19,113**	**9,694**	**11,413**	**22,002**
Engineering & Construction	(10,879)	12,256	(2,371)	2,003	10,438
Property Investment & Development	8,668	9,208	9,866	10,178	13,467
Water Concession	3,175	(76)	1,217	1,014	(204)
Plantation	(498)	(447)	(11)	-	-
Investment & Others	731	(1,828)	993	(1,782)	(1,699)
	(1,197)	**19,113**	**9,694**	**11,413**	**22,002**
PROFIT/(LOSS) AFTER TAXATION	(4,175)	13,887	3,545	7,620	14,461
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	(4,404)	14,916	3,030	7,516	14,202
SHAREHOLDERS' FUNDS	230,493	184,969	170,659	170,243	164,076
TOTAL TANGIBLE ASSETS	496,828	428,710	359,406	348,390	296,519
NET EARNINGS PER SHARE (RM)	(0.0258)	0.1264	0.0257	0.0639	0.1299
NET ASSETS PER SHARE (RM)	1.19	1.60	1.49	1.48	1.41





Corporate Structure

GADANG HOLDINGS BERHAD
(278114-K)

ENGINEERING AND CONSTRUCTION

- 100% Gadang Engineering (M) Sdn Bhd
  - 100% Gadang Construction Sdn Bhd
    - 100% New-Mix Concrete Industries Sdn Bhd
- 100% Bincon Sdn Bhd
- 100% Kartamo Corporation Sdn Bhd
- 100% Katah Realty Sdn Bhd
- 51% Era Berkat Sdn Bhd

WATER CONCESSION

- 100% Regional Utilities Sdn Bhd
  - 100% Asian Utilities Pte Ltd
    - 95% PT. Taman Tirta Sidoarjo
    - 95% PT. Bintang Hytien Jaya
    - 95% PT. Hanarida Tirta Birawa
    - 65% PT. Sarana Catur Tirtakelola
    - 62% PT. Sarana Tirta Rejeki

PROPERTY INVESTMENT AND DEVELOPMENT

- 100% Achwell Property Sdn Bhd
- 100% Mandy Corporation Sdn Bhd
- 100% Gadang Land Sdn Bhd
  - 100% Gadang Properties Sdn Bhd
    - 100% Buildmark Sdn Bhd
  - 100% Noble Paradise Sdn Bhd
  - 100% Damai Klasik Sdn Bhd
  - 100% Magnaway Sdn Bhd
  - 100% Splendid Pavilion Sdn Bhd
  - 100% Sama Pesona Sdn Bhd
  - 100% Natural Domain Sdn Bhd
  - 100% City Version Sdn Bhd
  - 100% Flora Masyhur Sdn Bhd
    - 100% Camar Ajaib Sdn Bhd
  - 100% Elegance Sonata Sdn Bhd
  - 100% Detik Tiara Sdn Bhd
  - 100% Skyline Symphony Sdn Bhd

GENERAL TRADING

- 100% GLP Resources (M) Sdn Bhd
  - 100% GLP Manufacturing (M) Sdn Bhd
  - 100% GLP Paints (M) Sdn Bhd

MECHANICAL AND ELECTRICAL WORKS

- 51% Datapuri Sdn Bhd

PLANTATION

- 100% Gadang Plantations Holdings Sdn Bhd
  - 100% Desiran Impian Sdn Bhd

* *Dormant companies are not included here*

Corporate Information

BOARD OF DIRECTORS

DATUK WAN LOKMAN BIN DATO' WAN IBRAHIM
Chairman and Independent Non-Executive Director

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

ADAM BIN BACHEK
Independent Non-Executive Director

BOEY TAK KONG
Independent Non-Executive Director

SECRETARY

Tan Seok Chung, Sally
MAICSA 0829689

REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

Wisma Gadang, No. 52 Jalan Tago 2
Off Jalan Persiaran Utama
Sri Damansara
52200 Kuala Lumpur
Tel : 603-6275 6888
Fax : 603-6275 2136
E-mail : corporate@gadang.com.my
Website : www.gadang.com.my

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 603-22643883
Fax : 603-22821886

AUDITORS

Ernst & Young AF 0039
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

PRINCIPAL BANKERS

AmBank (M) Berhad
CIMB Bank Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Code : 9261
Stock Name : GADANG

Profile Of Directors

DATUK WAN LOKMAN BIN DATO' WAN IBRAHIM

Chairman and Independent Non-Executive Director

Datuk Wan Lokman Bin Dato' Wan Ibrahim, a Malaysian, aged 65, was appointed as a Director of Gadang Holdings Berhad ("Gadang" or "Company") on 19 May 1997. He was re-designated as Chairman of Gadang on 1 July 2008. He is a member of the Audit Committee and Nomination & Remuneration Committee.

He holds a Master of Agriculture Business Management Degree from the University of Philippines and a Bachelor Degree in Economics (Hons) from the University of Malaya.

Previously, he was attached to Bank of Pertanian Malaysia for 22 years holding various positions, his last position being Assistant General Manager of Economic Research Department. He then joined Johore Mining & Stevedoring Co. Sdn Bhd as the Project Planning Manager.

He was the Head of Group Business Development in Bridgecon Holdings Berhad ("Bridgecon") before he was appointed as an Executive Director of Indah Water Konsortium Sdn Bhd on 1 December 1996. Datuk Wan Lokman does not hold any directorship in any other public company.

TAN SRI DATO' KOK ONN

Managing Director cum Chief Executive Officer

Tan Sri Dato' Kok Onn, a Malaysian, aged 60, joined the Board on 10 March 1997 as the Joint Managing Director of Gadang and was subsequently appointed as the Managing Director cum Chief Executive Officer on 2 September 1997.

Prior to joining Gadang, Tan Sri Dato' Kok Onn was the Group Chief Executive Officer of Bridgecon. He was also the founder of Bridgecon Engineering Sdn Bhd ("BESB"), the wholly-owned subsidiary of Bridgecon. The track record of BESB was used to list Bridgecon on the Second Board of the Bursa Malaysia Securities Berhad on 16 November 1994

Tan Sri Dato' Kok Onn's exposure in the construction industry began in 1972 and has been involved in the industry for more than 39 years. He has gained extensive knowledge and experience in most aspects of civil and structural engineering schemes with various projects in Malaysia, China, Middle East and South Africa.

Tan Sri Dato' Kok Onn was also the person who transformed Bridgecon from a pure construction company to activities involving manufacturing and supply of readymixed concrete, concrete pumping, quarrying, property and resort development and on international aspect where he spearheaded Bridgecon's venture into three toll expressway operations in the People's Republic of China. Tan Sri Dato' Kok Onn is also a Non-Independent Non-Executive Director of Green Packet Berhad.

ADAM BIN BACHEK
Senior Independent
Non-Executive Director

Encik Adam Bin Bachek, a Malaysian, aged 62, was appointed as a Director of Gadang on 19 May 1997. He is the Chairman of the Audit Committee and a member of the Nomination & Remuneration Committee.

Encik Adam, a practicing lawyer, holds a Bachelor of Laws (Hons) from the University of Buckingham, United Kingdom and a Diploma in Syariah Law & Practice from the International Islamic University (IIU). He was admitted as an advocate and solicitor of High Court of Malaya in 1990. Previously, he was a senior police officer for 22 years before being called to the Malaysian Bar. He served in various positions in the Police Department before taking the optional retirement in 1991.

Currently, Encik Adam is the senior partner of the legal firm, Messrs Adam Bachek & Associates. He is also a Director of Linear Corporation Berhad.

BOEY TAK KONG
Independent
Non-Executive Director

Mr Boey Tak Kong, a Malaysian aged 57, joined the Board on 3 December 2007 as an Independent Non-Executive Director. He is a member of the Audit Committee and the Chairman of the Nomination & Remuneration Committee.

He is a Fellow Member of the Chartered Association of Certified Accountants, United Kingdom, Associate Member of the Institute of Chartered Secretaries & Administrators, United Kingdom, Chartered Accountant of the Malaysian Institute of Accountants, Member of the Malaysian Institute of Management and Associate Member of the Institute of Marketing Malaysia.

He is currently the Managing Director of Terus Mesra Sdn Bhd, a strategic management and leadership development training company.

His directorships in other public companies include Dutch Lady Milk Industries Berhad, Green Packet Berhad, IJM Land Berhad, Permaju Industries Berhad, Bunseng Holdings Berhad and Century Software Holdings Berhad.

Other Information on Directors

None of the Directors has:

- any family relationship with any Director and/or major shareholder of the Company, except for Tan Sri Dato' Kok Onn who is the spouse of Puan Sri Datin Chan Ngan Thai, a major shareholder of the Company.
- any conflict of interest in any business arrangement involving the Company.
- any conviction for offences within the past 10 years.

Chairman's Statement

DATUK WAN LOKMAN BIN DATO' WAN IBRAHIM
Chairman / Independent Non-Executive Director

Runways Earthwork for New LCC Terminal

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, it is my pleasure to present to you, the Annual Report and Audited Financial Statements of Gadang Holdings Berhad ("Gadang" or the "Company") and its group of companies ("the Group") for the financial year ended 31st May 2011.

ECONOMIC OVERVIEW

Despite the more challenging global economic landscape in 2011, Malaysia has the potential to sustain its underlying trend of steady economic growth with the support by the four pillars of national transformation i.e. 1Malaysia, Government Transformation Programme (GTP), New Economic Model and 10th Malaysia Plan. The Malaysian economy is projected to grow between 5% - 6% in 2011 (2010: 7.2%) as domestic demand is expected to smoothen the volatility of the external sector.

While growth will be driven mainly by domestic demand in 2011 [2010: 53% of Gross Domestic Product (GDP)], external demand will remain important given that the total trade in goods and services accounted for 176% of GDP in 2010. Accordingly, the construction sector is projected to grow by 5.4% (2010: 5.2%) as there are progress in on-going infrastructure projects and new projects for implementation under the Economic Transformation Program (ETP).

FINANCIAL REVIEW

For the financial year ended 31 May 2011, the Group posted a revenue of RM350.49 million, an increase of 30% as compared to RM270.45 million in the last financial year. Despite the higher revenue, the Group's gross profit declined by 6% to RM35.18 million mainly due to declining margin recognised by the Construction Division during the financial year under review.

The Group recorded bad and doubtful debts and impairment of goodwill of RM11.15 million for the financial year under review. Consequently, the Group registered a loss before tax of RM1.20 million, a decline of 106% from a profit before tax of RM19.11 million registered in the previous financial year.

In the financial year under review, the Group's shareholders' funds enhanced by 25% to RM230.49 million from RM184.97 million in the previous financial year, arising from the completion of the rights issue exercise. The net assets per share reduced to RM1.19 as compared to RM1.60 in the previous financial year.

Earthwork for Sungai Buloh Depot of KVMRT

Chairman's Statement (cont'd)

CORPORATE DEVELOPMENTS

October 2010

On 5 October 2010, Gadang Plantations Holdings Sdn Bhd, the Company's wholly-owned subsidiary acquired two (2) ordinary shares of RM1.00 each representing 100% equity interest in Jauhari Mahir Sdn Bhd ("Jauhari Mahir") for a total consideration of RM2.00. Jauhari Mahir was incorporated on 27 January 2010 and its principal activity shall be development of oil palm plantation.

On 19 October 2010, the Company's indirect wholly-owned subsidiary, Asian Utilities Pte Ltd ("AUPL"), acquired an additional 334 shares representing 10% equity interest in PT. Hanarida Tirta Birawa ("HTB") from the minority shareholders, Joko Tripujono Sunaryo and Muchtar Hadi for a total cash consideration of Indonesian Rupiah (IDR) 3,466,000,000 (equivalent to approximately RM1.22 million). In consequence thereof, AUPL's equity interest in HTB increased from 85% to 95%.

November 2010

As disclosed in the annual report of the previous financial year, Flora Masyhur Sdn Bhd ("FMSB") had on 11 August 2009 entered into a Share Sale Agreement with Raja Zainal Abidin Bin Raja Hussin ("the Vendor") to acquire from the Vendor, 700,000 ordinary shares of RM1.00 each representing 70% equity interest in the issued and paid-up share capital of Camar Ajaib Sdn Bhd ("CASB") for a purchase consideration of RM200,000 ("Proposed Acquisition").

The Proposed Acquisition was completed on 11 November 2010. Accordingly, CASB became an indirect 70% owned subsidiary of the Company.

SUBSEQUENT EVENTS

June 2011

On 5 July 2010, GLP Manufacturing (M) Sdn Bhd entered into a Sale and Purchase Agreement ("SPA") with Norimax Sdn Bhd for the sale of its 2 pieces of land (Lot no: SD-279 & 280) Taman Perindustrian Puchong Seksyen 5 together with 2 units of 1½ storey semi-detached factory for a total consideration of RM2,900,000.00. The disposal was completed on 21 June 2011 pursuant to the terms of the SPA.

Gadang Properties Sdn Bhd, a wholly-owned subsidiary of Gadang Land Sdn Bhd, which in turn is the wholly-owned subsidiary of the Company, had on 17 February 2011 entered into a Sale and Purchase Agreement ("S&P") with Engtex Platinum Sdn Bhd (formerly known as Centradell Sdn Bhd) ("Purchaser") to dispose to the Purchaser, all the three (3) pieces of freehold lands measuring 219,341.8816 square metres in Mukim Rawang, Daerah Gombak, Negeri Selangor ("the Lands") for a total cash consideration of RM21,000,000.00. The disposal of the Lands was completed on 27 June 2011 pursuant to the terms of the S&P.

September 2011

On 9 September 2011, FMSB acquired additional 300,000 ordinary shares of RM1.00 each representing the remaining 30% of the issued and paid-up share capital of CASB from the minority shareholders, Raja Zainal Abidin Bin Raja Hussin and Raja Mahmood Bin Raja Hussein for a total cash consideration of RM86,000. Accordingly, CASB became a wholly-owned subsidiary of FMSB which in turn an indirect wholly-owned subsidiary of the Company.

OUTLOOK AND PROSPECTS

The Group's prospects appear to be positive as there are several large infrastructure projects that are earmarked for implementation over the next couple of years but we are cognizant of global uncertainties that may serve to derail Malaysia's growth expectations and market confidence in general.


Runways Earthwork for New LCC Terminal


Oil Palm Plantation in Ranau, Sabah


Jentayu Residensi, Tampoi, Johor Bahru

The mega infrastructure project, called the Klang Valley Mass Rapid Transit project, is an example of our Group's differentiated strategy to be selective in tendering for projects with reasonable margins. The RM36 billion project proposal, to be constructed over a period of 8 to 10 years in two phases, involves the construction of a comprehensive metro network to provide an integrated and sustainable transport system for the Klang Valley. Currently the Group has been awarded the earthworks and construction package for the Sungai Buloh depot and shortlisted to be eligible to bid for various elevated civil works, stations and depot packages.

With the improved market conditions buoyed by the various exciting development plans announced in the Budget 2011, the property sector envisage that the property market will remain bullish with strong demand for property investments in key hot spot locations. The Group will strive to capitalise on this robust scenario to record better sales in the forthcoming year.

Moving forward, the Group will consolidate its resources and realign its strategic focus on its core businesses. The Group remains focused in Engineering and Construction, Property and Plantation businesses while seeking opportunity to divest its interest in non-core businesses.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to record our appreciation to all management and staff for all their sacrifices during the challenging year, and for their continued dedication and unwavering loyalty.

Our thanks and appreciation also go out to our valued customers, business associates, bankers, suppliers, contractors and subcontractors and the mass media for their continued support, as well as the various local and overseas authorities and regulators for their invaluable guidance and assistance. We value and look forward to this continued relationship as we step forward towards seeking new opportunities.

Datuk Wan Lokman
Bin Dato' Wan Ibrahim
Chairman

Managing Director cum Chief Executive Officer's Review Of Operations

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

DEAR VALUED SHAREHOLDERS,

It has been a challenging financial year with rising concerns about the global economy. In the local environment, project tenders have been extremely competitive with low margins. The Group did not manage to secure any new project during the financial year. Nevertheless the Group was awarded the Klang Valley Mass Rapid Transit ("KVMRT') project in June 2011. Amidst these market challenges the Group remained focused on its projects execution and deliverables. The Group's revenue for the financial year was contributed mainly by its Engineering and Construction Division's three key projects i.e. runways and taxiways for the new LCC Terminal and Associated Works at KL International Airport, Sepang, Selangor, Rehabilitation Hospital Project in Cheras, Kuala Lumpur and Package 1 of Kemuning - Shah Alam Highway in Shah Alam, Selangor. Despite an increase in the Group's revenue to RM350.49 against RM270.45 million registered in the previous financial year, the Group recorded a loss before tax of RM1.2 million, mainly due to higher write-offs of bad debts and impairment of goodwill of RM11.15 million.

ENGINEERING AND CONSTRUCTION DIVISION

Continued to be the main driver of the Group's business activities for the financial year under review. The Division registered higher revenue of RM299.83 million but suffered a loss after tax of RM9.74 million as compared with RM201.26 million and profit after tax of RM10.01 million respectively in the previous financial year. The loss was mainly attributed by bad debts of RM9.45 million written off during the financial year, involving external property development projects.

During the year under review, the Division successfully completed several contracts with value of approximately RM21.73 million, which among others were the construction of Taman Pinggiran Pelangi, Phase 3 and 4 in Rawang, Selangor.

Rehabilitation Hospital in Cheras, Kuala Lumpur

Currently the Division's order book stands at more than RM500 million. The major on-going contracts in progress are:

- the earthworks and construction package for the Sungai Buloh Depot of KVMRT, valued at RM23.9 million;
- the newly awarded Shah Alam Hospital Project in Shah Alam, Selangor, valued at RM410.87 million;
- the construction of the Rehabilitation Hospital Project in Cheras, Kuala Lumpur;
- the contract to construct the runways and taxiways for the new LCC Terminal and Associated Works at KL International Airport, Sepang, Selangor; and
- the works package on electrical power distribution for LCC Terminal worth RM45.83 million to Datapuri Sdn Bhd, the Mechanical & Electrical ("M&E") Division together with its joint venture partner.

PROPERTY DIVISION

The Property Division posted a revenue of RM35.95 million for the year under review as compared to RM55.61 million recorded in the preceding year. The revenue was mainly contributed by Taman Pinggiran Pelangi project in Rawang, Selangor and Sri Aman Heights project in Sungai Buloh, Selangor.

Accordingly, the profit after tax had also decreased to RM5.66 million for the year under review as compared to RM7.09 million recorded in the previous financial year.

Artist Impression of the mixed development at Lot 49280, Salak South, Kuala Lumpur

The recent completed and on-going projects are as follows:

- **Taman Pinggiran Pelangi, Rawang, Selangor** – A residential development with a gross development value ("GDV") of RM64 million comprising a total of 423 units landed residential houses consisting of 363 units of single-storey terrace houses, 38 units of 1½ storey semi-detached houses and 22 units of 1 storey semi-detached houses.

Taman Pinggiran Pelangi, Rawang

  - Phase 3 comprising 97 units of single-storey terrace houses, 8 and 22 units of single-storey houses and 1½ storey semi-detached houses respectively has been fully sold and handed over vacant possession in December 2010.

  - Phase 4 comprising 100 units of single-storey terrace houses, 14 units and 16 units of single-storey and 1½ storey semi-detached houses respectively. The single-storey terrace houses and semi-detached houses have recorded sales of 90.8% and handed vacant possession in September 2011.

- **Jentayu Residensi, Tampoi, Johor Bahru** – A commercial and residential development with a GDV of RM132 million consisting of 19 units of retail shops, 15 units of office lots and 512 units of apartments.

  The development was officially launched on 1st May 2011. Presently, Block A consisting of 256 units apartments has recorded sales of 36%. The project is currently 17% completed.

Other identified projects in the pipeline over the next three financial years are as follow:-

- Mixed development at Lot 49280 Salak South, Kuala Lumpur. The estimated GDV is RM350 million consisting of 800 units condominiums and 10 units of 3 storey shop offices;

- A residential development at Lot 471 & 472, Mukim 17, Daerah Timur Laut, Tanjung Bungah, Penang. The estimated GDV is RM98 million; and

- Mixed development on Lot PT 165, HS(D) 2811, Daerah Pokok Sena, Kedah. Phase 1 consisting of 60 units of single storey medium cost terrace houses will commence in mid 2012.

Oil Palm Plantation in Ranau, Sabah

WATER CONCESSION DIVISION

The Division seeks to achieve continuous improvement in the revenue stream from its existing assets in Indonesia. It will strive to improve its profit margin by enhancing its operational efficiency as well as by raising the utilisation of its water supply capacity.

Over the medium and longer term, the Division will invest in additional water supply projects and will diversify its business to other regions.

The Division has posted higher revenue of RM14.69 million for the year under review, an increase of 8.81% as compared to RM13.50 million recorded in the previous financial year, and contributing 4% to the Group's revenue.

PLANTATION DIVISION

In 2009, the Group ventured into oil palm plantations with the lease of 5,181 acres of land in Sabah. The felling and planting works for about 2,800 acres had been completed. Development works for the balance of the land is in progress and is scheduled to complete in early 2012. Harvesting for the 800 acres planted land in 2009 is scheduled to commence in mid 2012 and early 2013 for Phase 2.

The Group has identified the oil palm industry to be a resilient industry and targets to develop oil palm activities to be one of the Group's core business. The Group keeps exploring opportunities to seek more land to increase its plantation acreage and oil palm activities.

IN APPRECIATION

We expect the financial year 2012 to be an exciting and busy year for the Group as we move with confidence to execute the upcoming mega KVMRT projects and other secured infrastructure projects. We are optimistic that Gadang will be able to navigate through the difficult and challenging times ahead of us and thus produce better growth in revenue and profitability for the financial year 2012.

Hence, with the support of our valued business associates, consultants, contractors and financiers who together with us form the greater team, we are confident of meeting the ambitious targets set. We look forward to an exciting 2012 where we can continue to scale greater heights for the benefit of all stakeholders and particularly our valued shareholders.

Tan Sri Dato' Kok Onn
Managing Director
cum Chief Executive Officer

Audit Committee Report

The Board is pleased to present the Audit Committee Report for the financial year ended 31 May 2011.

MEMBERSHIP AND MEETINGS

The Audit Committee consists of three (3) Independent Non-Executive Directors. Mr Boey Tak Kong who is a member of the Malaysian Institute of Accountants meets the requirements of Paragraph 15.10 (1) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), which requires at least one qualified accountant as a member of the Audit Committee.

The Audit Committee comprises the following members:

Adam Bin Bachek
Chairman/Independent Non-Executive Director

Datuk Wan Lokman Bin Dato' Wan Ibrahim
Member/Independent Non-Executive Director

Boey Tak Kong
Member/ Independent Non-Executive Director

The Audit Committee meets quarterly. Additional meetings are held as and when required. During the financial year ended 31 May 2011, a total of six (6) Audit Committee meetings were held. The details of attendance of each member at Audit Committee meetings are as follows:-

	No. of Meetings	
	Held	**Attended**
Encik Adam Bin Bachek	6	6
Datuk Wan Lokman Bin Dato' Wan Ibrahim	6	5
Boey Tak Kong	6	5

The Audit Committee meeting is always held before the Board's meeting. This is to ensure that all critical issues highlighted can be brought to the attention of the Board on a timely basis.

The Heads of Division, Chief Financial Officer, Finance Manager, Internal Auditors and External Auditors were in attendance at the meetings, where necessary. The Committee also had two (2) discussions with the External Auditors without the presence of the Executive Director and the Management.

SUMMARY OF ACTIVITIES

The following activities were carried out by the Audit Committee during the financial year ended 31 May 2011:-

1. **Financial Reporting**

   a. Reviewed the unaudited quarterly financial results with management before submission to the Board for consideration, approval and release to Bursa Securities.

   b. Reviewed the Company's annual audited financial statements, issues and reservations arising from the statutory audit with the external auditors.

   c. Reviewed and approved the Audit Committee Report and Statement on Internal Control for inclusion in the Company's Annual Report.

2. **Internal Audit**

   a. Reviewed and approved the internal audit plan.

   b. Reviewed the internal audit reports presented and considered the major findings of internal audit in the Group's operating subsidiaries through the review of internal audit reports and the management responses thereof and ensuring significant findings are adequately addressed by management.

   c. Authorized internal audit to undertake specific assignments on specific areas of concern, reviewed outcome of findings and deliberated on appropriate actions and/or recommendations arising therefrom.

   d. Reviewed the performance of the existing outsourced internal auditors and recommend to the Board of Directors on the change of internal auditors.

3. **Risk Management**

   Reviewed the Risk Management Committee's reports and assessment.

4. **External Audit**

    a. Reviewed with the external auditors the audit plan of the Company and of the Group for the year (inclusive of audit approach and scope of work).

    b. Reviewed the findings of the external auditors' reports, particularly issues raised in the management letter together with management's response to their findings.

5. **Recurrent Related Party Transactions**

    - Reviewed the recurrent related party transactions of a revenue or trading nature and for the provision of financial assistance for inclusion in the circular to shareholders in relation to the proposed renewal of shareholders' mandate for recurrent transactions pursuant to the Listing Requirements of Bursa Securities for the Board's approval.

    - Reviewed all recurrent related party transactions to ensure that they are within the mandate obtained.

TRAINING

During the year, the Committee members have attended conferences, seminars and training programmes on the following areas:-

1. Corporate Governance: Steering Capital Market Towards Financial Reporting Excellence

2. Corporate Governance: Corporate Governance, Professionalism and Accountants: How to Enhance The Synergy?

3. 2010 Corporate Fraud Conference: Managing Fraud Risk

4. Talent in 2010: The Foundations for Growth

5. Challenges of Implementing Corporate Governance: A Contrarian View

6. Directors' Continuing Education Programme:
    - Malaysian Competition Act 2010
    - Managing Risk Across The Enterprise – The Art Of War
    - Updates On Listing Requirements & Recent Shareholders' Issues
    - Social Media & Impact On Business

7. Corporate Governance Symposium

8. Sustainability Session For Directors

9. Cloud Computing Summit

10. Future Vision Series For Leaders – Preparing For Tomorrow Today

11. Assessing The Risk And Control Environment

12. CRM On Demand Workshop

13. Related Party Transactions: What Directors & Investors Need To Know

14. Whistleblower Protection Act 2010, Personal Data Protection Act 2010 & Price Control & Anti-Profiteering Act 2011

15. Directors & Officers Liability: Are You Exposed?

16. Drawing A New Roadmap for Growth – Going Beyond Traditional Boundaries

TERMS OF REFERENCE

1. **Composition**

    The Audit Committee shall be appointed by the Board of Directors from amongst the directors and shall compose of not fewer than three (3) members. All the Audit Committee members should be non-executive directors, with a majority of them being independent directors; and at least one (1) member of the Audit Committee shall be:

    (i) a member of the Malaysian Institute of Accountants ("MIA");

(ii) if he/she is not a member of the MIA, he/she must have at least three (3) years' working experience and:

- he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

- he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

(iii) fulfils such other requirements as prescribed or approved by Bursa Securities.

No alternate director shall be appointed as a member of the Audit Committee. If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three, the Board of Directors shall, within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

2. Chairman

The Chairman of the Audit Committee shall be an Independent, Non-Executive Director appointed by the Board.

3. Secretary

The Company Secretary shall be the Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to the Committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee members and to the other members of the Board.

4. Meetings

The Audit Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting of the audit committee if a request is made by any committee member, the Company's chief executive, or the internal or external auditors.

Other Board members and employees may attend meetings upon the invitation of the Audit Committee. However, at least twice a year, the Committee shall meet with the external auditors without any executive Board member present.

A quorum shall consist of two (2) members and the majority of members present must be independent directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

5. Authority

The Audit Committee is authorised by the Board:-

- to investigate any activity within its terms of reference

- have the resources which are required to perform its duties

- have full and unrestricted access to any information pertaining to the Group

- have direct communication channels with the internal and external auditors and with senior management of the Group

- be able to obtain external legal or other independent professional advice as necessary

- be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of executive Board members and employees, whenever deemed necessary.

6. Duties

The duties of the Committee shall include:-

a. To review and recommend the appointment of external auditors, the audit fee and any question of resignation or dismissal

b. To discuss with the external auditors where necessary, the nature and scope of audit and to ensure co-ordination of audit where more than one audit firm is involved

c. To review the quarterly results and annual financial statements before submission to the Board, focusing on:
   - any changes in accounting policies and practices;
   - significant issues arising from the audit;
   - going concern assumption;
   - compliance with accounting standards and regulatory requirements;

d. To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary);

e. To review the external auditors' management letter and management's response;

f. To do the following in relation to the internal audit function:-

   - review the adequacy of scope, function, competency and resources of the internal audit department and that it has the necessary authority to carry out its work

   - review internal audit programme

   - ensure co-ordination of external audit with internal audit

   - consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function

   - review any appraisal or assessment of the performance of the staff of the internal audit function

   - approve any appointment or termination of senior staff members of the internal audit function

   - be informed of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason for resignation

g. To review any related party transactions and conflict of interest situation that may arise within the Company and the Group, including any transaction, procedure or course of conduct that raises question on management integrity.

h. Any other activities, as authorized by the Board.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Board obtains adequate assurance on the effectiveness of system of internal control in the Group, through a programme of regular reviews and appraisals conducted by the outsourced internal auditors, which report directly to the Audit Committee. KPMG Business Advisory Sdn Bhd ('KPMG"), an international independent professional firm has been appointed to carry out the internal audit functions for the Group commencing 1 August 2011. The internal auditors are responsible to undertake independent, regular and systematic reviews of the systems of financial and operational controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively.

During the financial year, the previous internal auditors had undertaken reviews of the operating units' compliance with internal control procedures; ascertaining that the Company's and Group's assets were safeguarded and accounted for. Audit reports were issued to the management of the operating units audited, highlighting the findings on any systems and control weaknesses together with recommendations for improvement. These findings and recommendations together with the management action plan were summarized and reported at the quarterly Audit Committee meetings for deliberations and action.

The total cost incurred for maintaining the Internal Audit function for the year under review was RM57,958.50 comprising mainly professional fees and out of pocket expenses

Statement Of Corporate Governance

The Board of Directors of Gadang Holdings Berhad recognizes the importance of the corporate governance and is committed to ensure that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of Gadang and its group of companies.

The Board fully subscribes and supports the Malaysian Code on Corporate Governance ("the Code") and the relevant provisions in the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements.

Set out below is a statement of how Gadang has applied the principles of and compliance with the Best Practices of the Code.

A. BOARD OF DIRECTORS

The Company has adopted a number of measures to ensure effectiveness of the Board in discharging its duties and responsibilities.

Board composition and Balance

The Board comprises four members; three (3) of whom are Independent Non-Executive Directors and there is one (1) Managing Director cum Chief Executive Officer. A brief profile of each Director is presented on pages 6 and 7 of this Annual Report.

The Directors, with their different backgrounds and specializations, collectively bring with them a wide range of experience and expertise, particularly in areas such as law, finance, accountancy, taxation, regulation, business and operations. The presence of a majority of Independent Non-Executive Director will serve to bring objective and independent views, advice and judgement to the decision making of the Board and provide the necessary checks and balances to ensure that the interests of all shareholders and the general public are given due consideration in the decision-making process. The Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Together with the Managing Director cum Chief Executive Officer who has in-depth knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities.

The roles of the Chairman and Managing Director cum Chief Executive Officer are distinct and separate with a clear division of responsibilities. This ensures a balance of power and authority. The Chairman leads the Board and is responsible for ensuring its effectiveness. The Managing Director cum Chief Executive Officer is responsible for the day-to-day running of the business, implementation of Board policies and decision-making on operational matters.

Board Meetings

Board Meetings are scheduled in advance each year to facilitate Directors to plan their schedules. The Board meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. Most of the Directors attended all the Board meetings.

During the financial year ended 31 May 2011, six (6) Board meetings were held and the attendance of Board members is as follows:-

	No. of Meetings	
Directors	**Attended**	**Percentage**
Datuk Wan Lokman Bin Dato' Wan Ibrahim	6 out of 6	100%
Tan Sri Dato' Kok Onn	6 out of 6	100%
Encik Adam Bin Bachek	6 out of 6	100%
Mr Boey Tak Kong	5 out of 6	83%

Supply of Information

The Board members are supplied with required and timely information which allows them to discharge their responsibilities effectively and efficiently. Prior to the Board meeting, all Directors are provided with an agenda and a set of Board papers. The Board papers are dispatched to the Directors in advance of Board meetings to enable the Directors have sufficient time to understand issues to be deliberated at the Board meeting and expedite the decision making process. Senior management and advisers are invited to attend Board meetings, where necessary to provide additional information and insights on the relevant agenda items tabled at Board meetings.

The Directors are notified of any corporate announcement released to Bursa Securities and the impending restriction in dealing with the securities of the Company prior to the announcement of the financial results or corporate proposals. The Board is also updated by the Company Secretary on new statutory and regulatory requirements concerning their duties and responsibilities as and when necessary.

The Directors have access to any information relating to the Company's business and affairs in the discharge of their duties. The Directors also have direct access to the Senior Management and the advice and services of the Company Secretary and where necessary, in the furtherance of their duties, take independent professional advice at the Group's expense.

Appointments to the Board

The Nomination & Remuneration Committee is responsible for reviewing the Board composition and recommending to the Board appointments of new Directors by evaluating and assessing the suitability of candidates for Board membership. In making these recommendations, due consideration is given to the required mix of skills, knowledge, expertise and experience, professionalism and integrity that the proposed Directors shall bring to the Board.

Re-election of Directors

All Directors including Managing and Executive Directors shall retire from office once in every three (3) years but shall be eligible for re-election. In accordance with the Articles of Association ("AA") of the Company, one-third (1/3) of the Directors shall retire from office at each annual general meeting ("AGM") and may offer themselves for re-election. The Directors to retire in each year shall be those who have been longest in office since their last election or appointment. Proposals for the re-election of Directors are recommended by the Nomination & Remuneration Committee to the Board prior to the shareholders' approval at the AGM.

Directors' Training

All Directors have attended the Mandatory Accreditation Programme as required by Bursa Securities. The Directors are mindful that they should receive appropriate continuous training by attending seminars and courses to keep themselves updated on regulatory and corporate governance developments, besides enhancing their professionalism and knowledge to effectively discharge their duties and obligations.

The training programmes and seminars attended by the Directors during the financial year under review are, inter-alia, on areas relating to corporate governance, risk management, business transformation and financial management. The details of the training programmes attended by the Directors during the financial year ended 31 May 2011 are as follows:-

1.	**Datuk Wan Lokman Bin Dato' Wan Ibrahim**	
	• Improving The Budgeting Process for Effective High Performance	28 October 2010
2.	**Tan Sri Dato' Kok Onn**	
	• Improving The Budgeting Process for Effective High Performance	28 October 2010
	• Drawing A New Roadmap For Growth – Going Beyond Traditional	12 May 2011
3.	**Adam Bin Bachek**	
	• Sustainability Session For Directors	9 February 2011
	• Assessing The Risk And Control Environment	24 March 2011
	• Drawing A New Roadmap For Growth – Going Beyond Traditional	12 May 2011
4.	**Boey Tak Kong**	
	• Corporate Governance: Steering Capital Market Towards Financial Reporting Excellence	29 Jun 2010
	• Corporate Governance: Corporate Governance, Professionalism and Accountants: How to Enhance The Synergy?	1 July 2010
	• 2010 Corporate Fraud Conference: Managing Fraud Risk	5 & 6 July 2010
	• Talent in 2010: The Foundations for Growth	8 July 2010
	• Challenges of Implementing Corporate Governance: A Contrarian View	30 Sept 2010
	• Directors' Continuing Education Programme: - Malaysian Competition Act 2010 - Managing Risk Across The Enterprise – The Art Of War - Updates On Listing Requirements & Recent Shareholders' Issues - Social Media & Impact On Business	21 & 22 Oct 2010
	• Corporate Governance Symposium	23 Nov 2010
	• Sustainability Session For Directors	9 Feb 2011
	• Cloud Computing Summit	2 Mar 2011
	• Future Vision Series For Leaders – Preparing For Tomorrow Today	16 Mar 2011
	• Assessing The Risk And Control Environment	24 Mar 2011
	• CRM On Demand Workshop	29 Mar 2011
	• Related Party Transactions: What Directors & Investors Need To Know	4 April 2011
	• Whistleblower Protection Act 2010, Personal Data Protection Act 2010 & Price Control & Anti-Profiteering Act 2011	6 April 2011
	• Directors & Officers Liability: Are You Exposed?	7 April 2011

The Company will on a continuous basis, evaluate and determine the training needs of the Directors. The Company Secretary will also facilitate in organizing internal and external programmes, training sessions, workshops and seminars for Directors.

Board Committees

The Board of Directors has established various Board Committees to assist and complement the Board in the execution of its responsibilities. Each Board Committee operates within its terms of reference, which clearly define its functions and authority, and the Board receives reports of their proceedings and deliberations with their recommendations. The ultimate responsibility for decision making lies with the Board. The Board Committees of the Company are as follows:-

a) Audit Committee

Please refer to the Audit Committee Report which forms part of this Annual Report for further details.

b) Nomination & Remuneration Committee

The Nomination Committee and Remuneration Committee were merged into a single committee on 28 October 2010.

The Nomination & Remuneration Committee consists of the following members who are wholly independent Non-Executive Directors:-

Mr Boey Tak Kong
(Chairman/Independent Non-Executive Director)

Datuk Wan Lokman Bin Dato' Wan Ibrahim
(Independent Non-Executive Director)

Encik Adam Bin Bachek
(Independent Non-Executive Director)

The terms of reference of the Nomination and Remuneration Committee are as follows:-

- To establish and review the terms and conditions of employment and remuneration of the Executive Directors and senior executives of the Group;

- To review and approve the annual salary increments and bonuses of the Executive Directors and senior executives of the Group;

- To review, recommend and consider candidates to the Board of the Company, subsidiaries and associates of the Group, including committees of the Board;

- To review and determine the mix of skills, experience and other qualities, including core competencies of Non-Executive Directors on an annual basis; and

- To assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director.

The Committee met once during the financial year. The meeting was attended by all the members of the Committee.

B. DIRECTORS' REMUNERATION

Level and Make-up of Remuneration

The policy practiced on Directors' and senior management's remuneration by the Nomination & Remuneration Committee is to provide the remuneration packages necessary to attract, retain and motivate Directors of the calibre required to manage the business of the Group. The component parts of their remuneration are structured so as to link rewards to corporate and individual performance, in the case of the executive directors and senior management. In the case of non-executive directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual non-executive director concerned.

All non-executive directors are paid directors' fees as well as attendance allowances for Board, Board Committee and general meetings that they attend. Non-executive Directors do not receive any performance related remuneration.

Details Directors' Remuneration

The aggregate Directors' Remuneration paid or payable to the Directors by the Company and its subsidiaries for the financial year ended 31 May 2011 is as follows:-

Directors	Fees RM	Salary and other emoluments RM	Benefits-in-kind RM	Total RM
Executive Director				
Tan Sri Dato' Kok Onn	–	468,422	11,700	480,122
Non-Executive Directors				
Datuk Wan Lokman Bin Dato' Wan Ibrahim	42,000	*20,900	–	62,900
Adam Bin Bachek	42,000	*20,900	–	62,900
Boey Tak Kong	42,000	*19,900	–	61,900
Total	**126,000**	**530,122**	**11,700**	**667,822**

* Include travel and meeting allowances

C. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

Investor Relations and Shareholders Communication

The Board acknowledges the importance of communication with shareholders and investors. Various announcements and disclosures to the Bursa Securities made during the year, including the timely release of financial results on a quarterly basis and the distribution of annual reports and circulars, provide shareholders and the investing public with an overview of the Group's performance and operations.

The Company also conducts investors briefings with financial analysts, fund managers and members of media, when required, on the Group's financial results, performance and potential new developments or business. In addition, the Group has established a current website at www.gadang.com.my to further enhance investor relations and shareholders' communication, including their access to information about the Company and the Group.

Encik Adam Bin Bachek has been identified and appointed as the Senior Independent Non-Executive Director, to whom any queries and concerns pertaining to the Company may be conveyed.

Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. The notice of meeting and the annual report are sent out to shareholders at least 21 days before the date of the meeting in accordance with the Company's Articles of Association.

At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Answers and clarifications, where appropriate, are provided by the Directors and senior management officers of the Company. Additionally, a press conference is normally held immediately after the AGM and/or Extraordinary General Meeting where the Chairman advises the press of the resolutions passed, and answers questions on the Group's activities and plans. The Chairman, Managing Director cum Chief Executive Officer and the senior management are also present at the press conference.

D. ACCOUNTABILITY AND AUDIT

Financing Reporting

The Board aims to provide a balanced and meaningful assessment of the Group's financial performance, position and prospects, primarily through the issuance of audited annual financial statements and quarterly announcement of results to the shareholders as well as the Chairman's statement and review of operations in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Internal Controls

The Board acknowledges its responsibility to maintain a sound system of internal controls to safeguard shareholders' investment and the Company's assets. Accordingly, the Directors are required to ensure that an effective system of internal control is in place within the Group.

The Audit Committee together with the Board carries out periodical reviews on the effectiveness of the internal control system via the Internal Audit. The Internal Audit reports to the Audit Committee periodically on its assessment of reviews covering the financial, operational and compliance control as well as risk management.

A Statement of Internal Control of the Group is set out on Page 26 and 27 of the Annual Report.

Relationship with External Auditors

Through the Audit Committee, the Company has established a formal and transparent relationship with the external auditors in seeking professional advice and ensuring compliance with the relevant accounting standards.

It is the policy of the Audit Committee to meet with the external auditors at least twice a year to discuss their audit plan, audit findings and the Company's financial statements. These meetings are held without the presence of the Executive Director and the Management. The Audit Committee also meets with the external auditors whenever it deems necessary. In addition, the external auditors are also invited to attend the annual general meeting of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of their audit report.

Statement On Internal Control

Board Responsibility

The Board of Directors ("Board") recognizes the importance of maintaining a sound system of internal controls and risk management practices to good corporate governance. The Board acknowledges its overall responsibility and re-affirms its commitment to maintaining a sound system of internal controls and for reviewing its effectiveness, adequacy and integrity to safeguard shareholders' investments and the Group's assets.

The system of internal controls covers not only financial controls but also controls relating to operational and compliance controls and risk management. The internal control system is designed to manage and mitigate the effects rather than to eliminate the risks. As such the internal control system can only provide reasonable and not absolute assurance against material misstatement of management and financial information or against loss or fraud.

Risk Management

The Group strives to achieve an appropriate balance between realizing opportunities for gains in meeting corporate objectives whilst minimizing any potential adverse impact. It continues to adopt the Enterprise Risk Management framework which has been implemented since August 2004. The appointed Risk Manager facilitates an ongoing process to identify, evaluate, manage and monitor significant risks the Group faces in its businesses and operations. At the start of the new financial year the Risk Manager will coordinate an exercise for the risk owners to review the key risks that were reported in the previous financial year to determine their relevancy, to identify new risks and to formulate management action plans to address the key risks identified. On a half-yearly basis the risk owners will provide an update on the progress of the management action plans and report new risk, if any. The Risk Management Committee oversees the risk management activities of the Group. Risk Management reports are submitted periodically to the Risk Management Committee on the Key Risks and the progress of action plans to manage these risks. On a half yearly basis the Risk Manager will present a Risk Management report to the Audit Committee highlighting the key risks and summarizing the status of management action plans.

Internal Audit

The Group has outsourced its internal audit function to an independent professional firm. The Internal Auditors assist the Audit Committee in the discharge of its duties and responsibilities to independently review and report on the adequacy and integrity of the Group's internal control systems and risk management practices.

Other Key Elements of Internal Control

The Board monitors the continual effectiveness, adequacy and integrity of the internal control system to ensure good corporate governance. Ongoing reviews and appraisals are made by the internal and external auditors and these had been in place in the year under review.

The following key processes are in place in the Group:-

- The Group maintains an appropriate and well defined organizational structure with proper lines of responsibility, delegation of authority and accountability to the Board, Committees, Management and operating units.

- Formalized policies, procedures and guidelines on financial, operational and compliance controls and these are reviewed and updated as necessary. This includes financial authority limits, budgetary planning and monitoring, capital expenditure approval, credit control, recurrent related party transactions, project implementation plan, group accounting policies and human resources management.

- An appropriate accounting and reporting system to ensure proper and correct recording of financial information and timely generation of up-to-date information including key financial and operational indicators for management's review and action.

- The Board plays an active role in deliberating and reviewing the business plans submitted by each business unit annually to the Board for approval.

- Tender and Award Committee to review tender evaluation and award to ensure tender exercises are conducted in an effective, transparent and fair manner.

- The Group Management Committee meets bi-monthly to review and resolve on key operational, corporate, financial, legal and regulatory matters.

- The Audit Committee and the Board monitor and review the Group performance and results at quarterly meetings deliberating on the quarterly financial statements, key financial and operational performance results.

- Internal audit function provides an independent assurance on the adequacy and integrity of the Group system of internal controls and business processes. Regular reviews on operational units to assess the effectiveness of internal controls and to monitor compliance with policies and procedures are carried out by Internal Audit. Reports on audit findings on the effectiveness of internal controls, significant risks, non compliance and weaknesses observed with recommendations for remedial action are submitted to operating management. The Audit Committee meets quarterly to review internal audit findings and recommendations on internal control improvements and management's response and action thereto.

Conclusion

The Board of Directors is committed towards operating a sound system of internal controls and recognized that the system must continuously evolve to support the type of business, size of operations and the environment the Group operates in. The system of internal controls will be continually reviewed and enhanced to embed a risk based approach to the Group business activities.

During the current financial year no major control weaknesses were discovered. Overall the Board is satisfied that the system of internal controls and risk management is adequate and operating satisfactorily in the year under review.

Statement On Corporate Social Responsibility

The Company and its subsidiaries have always mindful of its Corporate Social Responsibility ("CSR") towards the community, environment, its employees and its stakeholders and view CSR as an extension of the Group's efforts in fostering a strong corporate governance culture.

Gadang Group also believes that CSR is a good business proposition of which CSR helps to enhance corporate image and increase the Group's ability to attract and retain its quality human capital towards improving financial performance.

Towards this end, Gadang Group fully subscribed to the CSR practices and will strive to be in line with the CSR Framework for Public Listed Companies launched by Bursa Malaysia Securities Berhad ("Bursa Securities").

WORKPLACE

The Group believes that human capital development is very important to ensure that the Group has the right and relevant skill and knowledge in ensuring business sustainability and growth.

Continuous training and development programmes are provided for staff internally and externally to equip them with relevant skills and knowledge. The Group also emphasized on the importance of the employees' health and well-being at the workplace. Besides providing a health and hospitalization for the staff, health and safety talks are held on a regular basis to instill a health-conscious mind among the staff.

Efforts are continually made to create awareness on the collective responsibility among the employees for the prevention of injuries and occupational health hazards and the assurance of public safety when carrying out its business operations.

The Group seeks to recognize and honor the loyalty of employees who have helped to build the Group over a long period of time. Long Service Awards are presented to those employees serving more than 15 years of service. The awards were presented with the primary objectives of motivating staff to develop their career with the Group and rewarding them for their dedication and commitments towards the development and growth of the Group.

The Gadang Sports Club was established by the Company with the aim to provide sports and leisure activities for its members. The Sports Club actively facilitates sporting activities on a regular basis for its members such as weekly badminton and yoga sessions, table tennis sessions and bowling tournaments to encourage a healthy lifestyle as well as to promote sports and teamworks among its members. Besides sports, the Club also organizes recreational activities such as family days, outings and trips (local and overseas), welfare and charitable activities and dinners for its members and their families. Encouraging participation in these activities underline the enthusiasm and a sense of belonging and unity among the staff.

COMMUNITY

The Group plays its role as a socially responsible corporate citizen in the community through various activities held with aim of caring for the wellbeing of the society at large.

During the year, the Group made contributions to Yayasan DiRaja Sultan Mizan, Yayasan Nanyang Press and Yayasan Sin Chew and Japanese Red Cross Society, donation for Japan Earthquake/Tsunami, amongst others.

Besides the above, the Group and the management staff also organized social visits and gave donations towards the children with special needs association. On 21 August 2011, members of Gadang Sports Club paid a social visit to Kirtarsh Handicapped and Disabled Children's Home, a non-profitable home established to shelter and care for special and underprivileged children from all racial and religious background. During the visit, the Group contributed cash and essential items totaling RM10,000 to the home. The children were also entertained with songs and a variety of games with prizes. At the end of the visit, the residents of the home were treated to a buffet dinner.

The Group also participated sponsors and contributions to healthcare, sports and education development funds.

MARKETPLACE

At the marketplace, the Group maintains high integrity of corporate governance practices as well as enhancing the shareholders' value.

ENVIRONMENT

The Group recognizes its responsibility to minimize any potential adverse environmental impact of our business operations and is committed to continual improvement in its environmental performance and to ensure all of the Group's activities are in line with environmental standards and legislation.

"The Group also encourages individual employees to adopt environmentally-responsible working practices by energy saving, reduce waste, promote re-use and recycling, avoid damage to the environment and prevent pollution."

Statement Of Directors' Responsibility

In relation to the Audited Financial Statements

The Directors are required by the Companies Act, 1965 ("CA") to prepare financial statements for each financial year which have been made in accordance with applicable Financial Reporting Standards ("FRSs") in Malaysia, and the provisions of the CA and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors have:

- Used appropriate accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent; and
- Followed all applicable approved accounting standards in Malaysia and the provisions of the CA.

The Directors are also responsible to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the CA.

The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Additional Compliance Information

- **Share Buybacks**

  The Company did not undertake any share buybacks during the financial year.

- **Options, Warrants or Convertible Securities**

  The Renounceable Two-Call Rights Issue of 78,675,427 new ordinary shares of RM1.00 each ("Rights Shares") on the basis of two (2) new shares for every three (3) shares held together with 19,668,739 free detachable warrants ("Warrants") on the basis of one (1) new warrant for every four (4) rights shares held were issued, at an issue price of RM1.00 per Rights Share, on 30 September 2010 and subsequently listed on the Bursa Malaysia Securities Berhad on 4 October 2010. The first call of RM0.65 per Rights Share was payable in full on application in cash. The second call of RM0.35 per Rights Share was capitalized from the Company's share premium and retained profits accounts. The exercise price of the Warrant had been fixed at RM1.00 per Warrant for each new ordinary share in the Company. No warrants were exercised during the financial year.

  Save as disclosed above, there were no options or convertible securities issue during the year under review.

- **Utilization of Proceeds Raised from Corporate Proposals**

  The RM51.14 million proceeds raised from the Rights Issue of RM1.00 each at an issue price of RM1.00, which was completed on 4 October 2010, has been fully utilized, the breakdown of which is as follows:-

	RM'000
- Repayment of bank borrowings of the Group	8,000
- Working Capital	42,340
- Estimated expenses in relation to the Rights Issue	800
	51,140

Other than as disclosed, there were no proceeds raised from corporate proposals in the year under review.

- **Imposition of Sanctions/Penalties**

  There were no sanctions and/or penalties imposed on the Company, its subsidiaries, Directors and management by the relevant regulatory bodies which have material impact on the operations or financial position of the Group during the financial year.

- **Non-audit Fees**

  The amount of non-audit fee incurred for the services provided by the external auditors to the Group for the financial year amounted to RM57,000.

- **Profit Guarantees**

  There were no profit guarantees given by the Company during the financial year.

- **Revaluation of Landed Properties**

  The Company does not have a policy on revaluation of landed properties.

- **American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme**

  During the financial year, the Company did not sponsor any ADR or GDR programme.

- **Material Contracts**

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

- **Recurrent Related Party Transactions of a Revenue or Trading Nature**

At the last Annual General Meeting held on 23 November 2010, the Company had obtained a mandate from its shareholders to allow the Company and/or its subsidiaries ("Gadang Group") to enter into recurrent related party transactions of a revenue or trading nature and provision of financial assistance ("Recurrent Transactions") with related parties.

In accordance with Paragraph 10.09(2)(b) of Bursa Securities Main Market Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended 31 May 2011 pursuant to the said shareholders' mandate are as follows:-

Name of Related Party	Relationship	Nature of Transactions	The Company	Aggregate Value RM'000
Kok Khim Boon	Kok Khim Boon is the brother of Tan Sri Dato' Kok Onn ("TSDKO") who is the Managing Director cum Chief Executive Officer and major shareholder of Gadang	Provision of sub-contract works	Gadang Group	733
Datapuri Sdn Bhd ("DPSB")	DPSB is a 51% owned subsidiary of Gadang and 49% owned by Exclusive Acres Sdn Bhd ("EASB"). Mr Liew Swee Kong who is a director and shareholder of EASB is the nephew of TSDKO.	• Office Rental	Gadang Properties Sdn Bhd	48
		• Provision of mechanical & engineering subcontract works by DPSB	Gadang Group	5,684
		• Provision of management services by Gadang	Gadang	121
		• Financial Assistance	Gadang Group	508

Financial Statements

Directors' Report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2011.

Principal activities

The principal activities of the Company are investment holding and provision of management services.

The principal activities of its subsidiaries are described in Note 18 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year, except for the following:

(i) GLP Manufacturing (M) Sdn Bhd has changed its principal activity from manufacturing of protective and decorative coatings to general trading; and

(ii) GLP Paints (M) Sdn Bhd has changed its principal activity from trading in protective and decorative coatings to general trading.

Results

	Group RM	Company RM
Loss for the year	(4,175,061)	(255,480)
Attributable to:		
Equity holders of the Company	(4,403,682)	(255,480)
Minority interests	228,621	–
	(4,175,061)	(255,480)

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

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

Dividends

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year. The directors also do not recommend any dividend payment in respect of the current financial year.

Directors’ Report (cont’d)

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Wan Lokman bin Dato' Wan Ibrahim
Tan Sri Dato' Kok Onn
Adam bin Bachek
Boey Tak Kong

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 35 to the financial statements.

Directors' interests

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

	Number of Ordinary Shares of RM1 Each			
	1.6.2010	**Acquired**	**Sold**	**31.5.2011**
Gadang Holdings Berhad				
Direct Interest				
Tan Sri Dato' Kok Onn	3 ,670,000	2 ,446,666	–	6 ,116,666
Boey Tak Kong	201,000	401,000	–	602,000
Indirect Interest				
Tan Sri Dato' Kok Onn (1)	34,905,100	24,575,727	–	59,480,827

	Number of Warrants 2010/2015			
	At date of issuance on 30.9.2010	Acquired	Sold	31.5.2011
Gadang Holdings Berhad				
Direct Interest				
Tan Sri Dato' Kok Onn	611,666	–	–	611,666
Boey Tak Kong	88,500	–	–	88,500
Indirect Interest				
Tan Sri Dato' Kok Onn (1)	6,143,931	–	2,469,700	3,674,231

(1) Indirect interest by virtue of shares held by companies in which the director has interest.

Tan Sri Dato' Kok Onn by virtue of his deemed interest in shares of the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares and warrants in the Company or its related corporations during the financial year.

Issue of shares

During the financial year, the Company increased its authorised share capital from RM200,000,000 to RM400,000,000 by the creation of an additional 200,000,000 ordinary shares of RM1.00 each. On the even date, the Company issued 78,675,427 new ordinary shares of RM1.00 each pursuant to its two-call rights issue at an issue price of RM1.00 per share (of which the first call of RM0.65 was payable in cash on application and the second call of RM0.35 was capitalised from the Company's share premium and retained profits accounts) with 19,668,739 free detachable warrants 2010/2015 as disclosed in the notes to the financial statements.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

Issue of warrants

The renounceable two-call rights issue of up to 78,675,427 new ordinary shares of RM1.00 each ("Rights Issue") together with 19,668,739 free detachable warrants ("Warrants") were allotted on 30 September 2010 and listed on the Main Board of Bursa Malaysia Securities Berhad on 4 October 2010. The salient features are disclosed in Note 30(c) to the financial statements.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts;

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

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

(e) As at the date of this report, there does not exist:

   (i) any charge on the assets of the Group or of the Company which 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 or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

   (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Directors' Report (cont'd)

Significant events

In addition to the significant events disclosed elsewhere in this report, other significant events during the financial year are disclosed in Note 39 to the financial statements.

Subsequent events

Details of subsequent events are disclosed in Note 40 to the financial statements.

Auditors

The auditors, Ernst & Young, retire and do not wish to seek re-appointment.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 September 2011.

Tan Sri Dato' Kok Onn

Datuk Wan Lokman Bin Dato' Wan Ibrahim

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Kok Onn and Datuk Wan Lokman Bin Dato' Wan Ibrahim, being two of the directors of Gadang Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 42 to 119 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 May 2011 and of the results and the cash flows of the Group and of the Company for the year then ended.

The supplementary information set out in Note 44 on page 119 to the financial statements, does not form part of the financial statements. It is prepared in all material aspects, in accordance with the Guidance on Special Matter No.1, "Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 September 2011

Tan Sri Dato' Kok Onn

Datuk Wan Lokman Bin Dato' Wan Ibrahim

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Kok Pei Ling, being the officer primarily responsible for the financial management of Gadang Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 42 to 119 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Kok Pei Ling
at Kuala Lumpur in the Federal Territory
on 29 September 2011.

Kok Pei Ling

Before me,

PESURUHJAYA SUMPAH
No. W 521
MOHAN A.S. MANIAM
MALAYSIA
No. 50, Jalan Hang Lekiu
50100 Kuala Lumpur.

Independent Auditors' Report

to the members of Gadang Holdings Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Gadang Holdings Berhad, which comprise the statements of financial position as at 31 May 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 42 to 118.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 May 2011 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report

to the members of Gadang Holdings Berhad (Incorporated in Malaysia) (cont'd)

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 ("Act") in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 18 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

The supplementary information set out in Note 44 on page 119 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Mohd. Sukarno Bin Tun Sardon
No.1697/03/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
29 September 2011

Statements Of Comprehensive Income

For the year ended 31 May 2011

	Note	Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Revenue	4	**350,486,843**	270,454,407	**3,632,000**	19,500,000
Cost of sales	5	**(315,309,308)**	(226,558,090)	**–**	–
Gross profit		**35,177,535**	43,896,317	**3,632,000**	19,500,000
Other income	6	**3,530,711**	3,486,527	**472,783**	31,017
Administrative expenses		**(9,374,385)**	(9,351,901)	**(2,303,804)**	(1,950,284)
Other expenses		**(26,125,524)**	(15,134,766)	**(1,275,272)**	(1,082,628)
Finance costs	7	**(4,405,271)**	(3,761,076)	**(473,086)**	(996,429)
Share of results of associates		**–**	(22,458)	**–**	–
(Loss)/profit before tax	8	**(1,196,934)**	19,112,643	**52,621**	15,501,676
Income tax expense	11	**(2,978,127)**	(5,225,149)	**(308,101)**	(4,268,327)
(Loss)/profit net of tax		**(4,175,061)**	13,887,494	**(255,480)**	11,233,349
Other comprehensive loss:					
Foreign currency translation		**(308,277)**	(540,132)	**–**	–
Total comprehensive (loss)/ income for the year		**(4,483,338)**	13,347,362	**(255,480)**	11,233,349
(Loss)/profit net of tax attributable to:					
Equity holders of the Company		**(4,403,682)**	14,915,669	**(255,480)**	11,233,349
Minority interest		**228,621**	(1,028,175)	**–**	–
(Loss)/profit for the year		**(4,175,061)**	13,887,494	**(255,480)**	11,233,349
Total comprehensive income attributable to:					
Equity holders of the Company		**(4,707,545)**	14,310,231	**(255,480)**	11,233,349
Minority interest		**224,207**	(962,869)	**–**	–
Total comprehensive (loss)/ income for the year		**(4,483,338)**	13,347,362	**(255,480)**	11,233,349
(Loss)/earnings per share attributable to:					
Equity holders of the Company (sen):					
- Basic/diluted	12	**(2.58)**	12.64		

The accompanying notes form an integral part of the financial statements.

Statements Of Financial Position

as at 31 May 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Assets					
Non-current assets					
Property, plant and equipment	14	**76,438,778**	73,050,666	**106,591**	60,008
Biological assets	15	**3,886,837**	1,399,298	**–**	–
Investment properties	16	**15,417,640**	15,417,640	**–**	–
Concession assets	17	**35,605,262**	35,854,797	**–**	–
Investments in subsidiaries	18	**–**	–	**85,157,851**	85,157,851
Investments in associates	19	**–**	–	**–**	–
Other investments	20	**226,000**	226,000	**–**	–
Goodwill on consolidation	21	**16,885,732**	17,033,313	**–**	–
Deferred tax assets	22	**821,310**	856,022	**–**	–
		149,281,559	143,837,736	**85,264,442**	85,217,859
Current assets					
Property development costs	23	**111,833,866**	74,830,554	**–**	–
Amounts due from customers on contracts	24	**80,039,794**	73,230,250	**–**	–
Inventories	25	**1,968,901**	15,695,515	**–**	–
Trade and other receivables	26	**110,559,116**	111,280,236	**146,616,065**	101,595,710
Tax recoverable		**3,811,134**	883,271	**600,740**	910,511
Fixed deposits	28	**36,885,410**	8,188,796	**9,012,223**	3,909,166
Cash and bank balances	28	**19,334,416**	17,796,731	**12,516,947**	2,650,913
		364,432,637	301,905,353	**168,745,975**	109,066,300
Total assets		**513,714,196**	445,743,089	**254,010,417**	194,284,159

Statements Of Financial Position
as at 31 May 2011 (cont'd)

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	29	**196,691,218**	118,015,791	**196,691,218**	118,015,791
Reserves	30	**33,801,739**	66,953,629	**6,924,574**	35,624,399
		230,492,957	184,969,420	**203,615,792**	153,640,190
Minority interests		**4,505,576**	4,249,168	**–**	–
Total equity		**234,998,533**	189,218,588	**203,615,792**	153,640,190
Non-current liabilities					
Deferred tax liabilities	22	**6,029,307**	5,580,391	**23,861**	12,682
Bank borrowings	31	**24,043,560**	35,329,667	**–**	–
Defined benefit obligations	32	**1,202,664**	940,967	**–**	–
		31,275,531	41,851,025	**23,861**	12,682
Current liabilities					
Provisions	33	**891,709**	478,881	**–**	–
Trade and other payables	34	**125,081,919**	123,588,652	**33,737,101**	25,409,572
Amounts due to customers on contracts	24	**1,622,783**	62,693	**–**	–
Bank borrowings	31	**119,588,835**	88,439,684	**16,633,663**	15,221,715
Provision for taxation		**254,886**	2,103,566	**–**	–
		247,440,132	214,673,476	**50,370,764**	40,631,287
Total liabilities		**278,715,663**	256,524,501	**50,394,625**	40,643,969
Total equity and liabilities		**513,714,196**	445,743,089	**254,010,417**	194,284,159

The accompanying notes form an integral part of the financial statements.

Statements Of Changes In Equity

For the year ended 31 May 2011

Group

		Attributable to equity holders of the Company								
		Non-Distributable					Distributable			
		Share Capital RM	Warrant Reserve RM	Capital Reserve RM	Share Premium RM	Foreign Exchange Reserve RM	Retained Profits RM	Total RM	Minority Interest RM	Total Equity RM
At 1 June 2009		118,015,791	-	1,346,681	8,815,834	(1,131,544)	43,612,427	170,659,189	5,212,037	175,871,226
Total comprehensive income for the year		-	-	-	-	(605,438)	14,915,669	14,310,231	(962,869)	13,347,362
At 31 May 2010		118,015,791	-	1,346,681	8,815,834	(1,736,982)	58,528,096	184,969,420	4,249,168	189,218,588
At 1 June 2010		118,015,791	-	1,346,681	8,815,834	(1,736,982)	58,528,096	184,969,420	4,249,168	189,218,588
Total comprehensive loss for the year		-	-	-	-	(303,863)	(4,403,682)	(4,707,545)	224,207	(4,483,338)
Accretion of interest in a subsidiary		-	-	-	-	-	-	-	32,201	32,201
Issue of shares pursuant to Rights Issue	29	78,675,427	-	-	(8,815,834)	-	(25,804,495)	44,055,098	-	44,055,098
Arising from issuance of warrants	30	-	6,175,984	-	-	-	-	6,175,984	-	6,175,984
At 31 May 2011		**196,691,218**	**6,175,984**	**1,346,681**	**-**	**(2,040,845)**	**28,319,919**	**230,492,957**	**4,505,576**	**234,998,533**

The accompanying notes form an integral part of the financial statements.

Statements Of Changes In Equity

For the year ended 31 May 2011 (cont'd)

		Non-Distributable			Distributable	
	Note	Share Capital RM	Warrant Reserve RM	Share Premium RM	Retained Profits RM	Total RM
Company						
At 1 June 2009		118,015,791	–	8 ,815,834	15,575,216	142,406,841
Total comprehensive income for the year		–	–	–	11,233,349	11,233,349
At 31 May 2010		118,015,791	–	8,815,834	26,808,565	153,640,190
At 1 June 2010		118,015,791	–	8,815,834	26,808,565	153,640,190
Total comprehensive loss for the year		–	–	–	(255,480)	(255,480)
Issue of shares pursuant to Rights Issue	29	78,675,427	–	(8,815,834)	(25,804,495)	44,055,098
Arising from issuance of warrants	30	–	6,175,984	–	–	6,175,984
At 31 May 2011		**196,691,218**	**6,175,984**	**–**	**748,590**	**203,615,792**

The accompanying notes form an integral part of the financial statements.

Statements Of Cash Flow

For the year ended 31 May 2011

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Cash flows from operating activities				
(Loss)/profit before tax	**(1,196,934)**	19,112,643	**52,621**	15,501,676
Adjustments for:				
Depreciation of property, plant and equipment	**3,610,443**	2,656,663	**12,572**	9,725
Depreciation of concession assets	**1,480,046**	1,784,130	**–**	–
Impairment losses on goodwill	**1,597,310**	122,662	**–**	–
Share of results of associates	**–**	22,458	**–**	–
Gain on disposal of property, plant and equipment	**(701,055)**	(547,763)	**–**	–
Increase in liability for defined benefit obligations	**263,215**	553,466	**–**	–
Inventories written off	**149,367**	187,255	**–**	–
Concession assets written off	**–**	90	**–**	–
Provision for doubtful debts	**9,557,121**	266,496	**–**	–
Liquidated ascertained damages receivable	**–**	(210,833)	**–**	–
Provision for liquidated ascertained damages	**446,741**	478,881	**–**	–
Interest expense	**4,405,271**	3,761,076	**473,086**	996,429
Interest income	**(987,790)**	(307,084)	**(472,783)**	(31,017)
Dividend income	**–**	–	**(450,000)**	(15,400,000)
Operating profit/(loss) before working capital changes	**18,623,735**	27,880,140	**(384,504)**	1,076,813
Changes in working capital:				
Property development costs	**(37,003,312)**	11,644,457	**–**	–
Biological assets	**(2,487,539)**	(1,399,298)	**–**	–
Amounts due to/from customers on contracts	**(5,249,454)**	(33,698,747)	**–**	–
Inventories	**13,577,247**	(1,370,541)	**–**	–
Receivables	**(8,836,001)**	17,864,131	**175,750**	(90,294)
Payables	**8,324,279**	(1,601,594)	**110,697**	12,070
Intercompany balances	**–**	–	**(36,979,275)**	(898,498)
Cash (used in)/generated from operating activities	**(13,051,045)**	19,318,548	**(37,077,332)**	100,091
(Tax paid)/refund	**(7,089,283)**	(6,577,988)	**125,352**	(161,307)
Net cash (used in)/generated from operating activities	**(20,140,328)**	12,740,560	**(36,951,980)**	(61,216)

Statements Of Cash Flow

For the year ended 31 May 2011 (cont'd)

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Cash flows from investing activities				
Acquisition/increase of shares in a subsidiary	**(1,417,528)**	–	**–**	(2)
Purchase of property, plant and equipment	**(14,388,780)**	(9,228,430)	**(59,155)**	(24,161)
Purchase of investment properties	**–**	(93,888)	**–**	–
Purchase of concession assets	**(1,254,589)**	(1,124,680)	**–**	–
Proceeds from disposal of property, plant and equipment	**6,689,234**	811,622	**–**	–
Proceeds from disposal of an associate	**–**	625,000	**–**	–
Interest received	**987,790**	307,084	**472,783**	31,017
Dividends received	**–**	–	**337,500**	11,550,000
Net cash (used in)/generated from investing activities	**(9,383,873)**	(8,703,292)	**751,128**	11,556,854
Cash flows from financing activities				
Payments to hire purchase payables	**(13,197,770)**	(2,789,235)	**–**	–
Interest paid	**(4,405,271)**	(3,761,076)	**(473,086)**	(996,429)
Proceeds from rights issue	**50,231,082**	–	**50,231,082**	–
Drawdown of bank borrowings	**50,540,170**	34,159,351	**1,546,001**	314,000
Repayment of bank borrowings	**(22,879,175)**	(23,088,930)	**(58,001)**	(7,421,668)
Net cash generated from/(used in) financing activities	**60,289,036**	4,520,110	**51,245,996**	(8,104,097)
Net increase in cash and cash equivalents	**30,764,835**	8,557,378	**15,045,144**	3,391,541
Translation differences	**(492,890)**	(1,458,975)	**–**	–
Cash and cash equivalents at beginning of year	**8,748,398**	1,649,995	**1,639,201**	(1,752,340)
Cash and cash equivalents at end of year (Note 28)	**39,020,343**	8,748,398	**16,684,345**	1,639,201

The accompanying notes form an integral part of the financial statements.

Notes To The Financial Statements
31 May 2011

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at Wisma Gadang, No. 52, Jalan Tago 2, Off Jalan Persiaran Utama, Sri Damansara, 52200 Kuala Lumpur.

The principal activities of the Company are the provision of management services and investment holding. The principal activities of its subsidiaries are described in Note 18.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year, except for the following:

(i) GLP Manufacturing (M) Sdn Bhd has changed its principal activity from manufacturing of protective and decorative coatings to general trading; and

(ii) GLP Paints (M) Sdn Bhd has changed its principal activity from trading in protective and decorative coatings to general trading.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 September 2011.

2. Significant accounting policies

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with Financial Reporting Standards ("FRSs") and the Companies Act, 1965. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 June 2010 as described fully in Note 2(b).

The financial statements are presented in Ringgit Malaysia (RM).

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 June 2010, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 June 2010.

2. Significant accounting policies (cont'd)

(b) Changes in accounting policies (cont'd)

- FRS 7 Financial Instruments: Disclosures
- FRS 8 Operating Segments
- FRS 101 Presentation of Financial Statements (Revised)
- FRS 123 Borrowing Costs
- FRS 139 Financial Instruments: Recognition and Measurement
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate
- Amendments to FRS 2 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 132 Financial Instruments: Presentation
- Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- Improvements to FRS issued in 2009
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 10 Interim Financial Reporting and Impairment
- IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13 Customer Loyalty Programmes
- IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- FRS 4 Insurance Contracts and TR i-3 Presentation of Financial Statements of Islamic Financial Institutions will also be effective for their annual periods beginning on or after 1 April 2010. These FRS are, however not applicable to the Group or the Company.

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

<u>FRS 7 Financial Instruments: Disclosures</u>

Prior to 1 June 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 May 2011.

2. Significant accounting policies (cont'd)

(b) Changes in accounting policies (cont'd)

FRS 8 Operating Segments

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 43).

The revised FRS 101 was adopted retrospectively by the Group and the Company.

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 June 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

2. Significant accounting policies (cont'd)

(b) Changes in accounting policies (cont'd)

FRS 139 Financial Instruments: Recognition and Measurement (cont'd)

- Financial guarantee contracts

  During the current and prior years, the Company provided financial guarantees to banks in connection with bank loans and other banking facilities granted to its subsidiaries. Prior to 1 June 2010, the Company did not provide for such guarantees unless it was more likely than not that the guarantees would be called upon. The guarantees were disclosed as contingent liabilities. Upon the adoption of FRS 139, all unexpired financial guarantees issued by the Company are recognised as financial liabilities and are measured at their initial fair value less accumulated amortisation as at 1 June 2010.

  At the balance sheet date, the Company has reassessed the financial guarantee contracts in accordance with FRS 139. There is no fair value adjustment required for the financial guarantee granted to its subsidiaries.

(c) Standards issued but not yet effective

The Group and the Company have not adopted the following standards and interpretations that have been issued but not yet effective:

Effective for financial periods beginning on or after 1 January 2010:

FRS 4: Insurance Contracts
Amendments to FRS 1 and FRS 127: First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2: Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 7: Financial Instruments: Disclosures
Amendments to FRS 132: Financial Instruments: Presentation
Amendments to FRS 139, FRS 7 and IC Interpretation 9: Financial Instruments: Recognition and Measurement, Disclosures and Reassessment of Embedded Derivatives
Amendments to FRSs 'Improvements to FRSs (2009)
IC Interpretation 9: Reassessment of Embedded Derivatives and Impairment
IC Interpretation 10: Interim Financial Reporting and Impairment
IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13: Customer Loyalty Programmes
IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TR i – 3: Presentation of Financial Statements of Islamic Financial Institutions

Amendments effective for annual periods beginning on or after 1 March 2010:

Amendments to FRS 132: Financial Instruments: Presentation

2. Significant accounting policies (cont'd)

(c) Standards issued but not yet effective (cont'd)

Effective for financial periods beginning on or after 1 July 2010:

FRS 1: First-time Adoption of Financial Reporting Standards
FRS 3: Business Combinations (revised)
FRS 127: Consolidated and Separate Financial Statements (amended)
Amendments to FRS 2: Share-based Payment
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138: Intangible Assets
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 12: Service Concession Arrangements
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17: Distributions of Non-cash Assets to Owners

Amendments effective for annual periods beginning on or after 1 January 2011:

Amendment to FRS 1: Limited Exemption from Comparative FRS 7: Disclosures for First-time Adopters
Amendments to FRS 7: Improving Disclosures about Financial Instruments
Amendments to FRS 1: Additional Exemptions for First-time Adopters
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions
IC Interpretation 4: Determining whether an Arrangement contains a Lease
IC Interpretation 18: Transfers of Assets from Customers

Amendments effective for annual periods beginning on or after 1 January 2012:

IC Interpretation 15: Agreements for the Construction of Real Estate

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period.

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements of the Group and of the Company upon their initial application except for IC Interpretation 15 as described below:

<u>IC Interpretation 15 Agreements for the Construction of Real Estate</u>

This Interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the Interpretation provides guidance on how to determine whether an agreement is within the scope of FRS 111 Construction Contracts or FRS 118 Revenue.

The Group currently recognises revenue arising from property development projects using the stage of completion method. Upon the adoption of IC Interpretation 15, the Group may be required to change its accounting policy to recognise such revenues at completion, or upon or after delivery. The Group is in the process of making an assessment of the impact of this Interpretation.

2. Significant accounting policies (cont'd)

(d) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

2. Significant accounting policies (cont'd)

(e) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. Significant accounting policies (cont'd)

(f) Jointly controlled entities

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

The jointly controlled entities distribute or allocate the entire net profits or losses for the year to the joint venturers. The Group recognises its allocation of profits or losses from the jointly controlled entities in the income statement in the period in which it arises using proportionate consolidation method. Under the proportionate consolidation method, the Group's share of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the equivalent items in the financial statements on a line by line basis.

When the Group contributes or sells assets to the joint ventures, any portion of gain or loss from the transaction is recognised based on the substance of the transaction. When the Group purchases assets from the joint ventures, the Group does not recognise its share of the profits of the joint ventures from the transaction until it resells the assets to an independent party. The joint ventures are proportionately consolidated until the date on which the Group ceases to have joint control over the joint ventures.

(g) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(h) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

2. Significant accounting policies (cont'd)

(h) Property, plant and equipment, and depreciation (cont'd)

Leasehold land	Over lease period
Buildings	2%
Plant and machinery	5% - 10%
Tools and equipment	10%
Office equipment	10%
Furniture and fittings	10%
Renovations	10%
Motor vehicles	20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of 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 or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(i) Biological assets

Oil palm planting expenditure

New planting expenditure incurred on land clearing and upkeep of palms to maturity is stated at cost and capitalised under biological assets. A portion of the indirect overheads which include estate administration and finance cost incurred on immature plantation is similarly capitalised under biological assets until such time when the plantation attains maturity.

No amortisation is considered necessary on oil palm planting expenditure as its value is maintained through replanting programme. Replanting expenditure is recognised in the income statement in the year in which the expenditure is incurred.

(j) Concession assets

Concession assets comprise structures, land and buildings, water treatment plants and equipment, reservoirs, dams and distribution pipes operated and maintained by the Group under the Concession Agreements entered into by the Group.

Concession assets are depreciated over the concession period using the unit of water revenue method as follows:

$$\frac{\text{Cumulative actual water revenue}}{\text{Total projected water revenue of the concession}} \times \text{Concession assets capitalised to date}$$

2. Significant accounting policies (cont'd)

(j) Concession assets (cont'd)

The rationale for using the unit of water revenue method is in line with the pattern in which the assets' economic benefits are consumed by the Group.

The projected total water revenue is estimated based on the scheduled tariff and projected water consumption.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

(k) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are not occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

(l) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

2. Significant accounting policies (cont'd)

(m) Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on a weighted average cost basis. The cost of raw materials and construction materials at site comprise costs of purchase. The cost of finished goods comprises costs of raw materials, direct labour and an appropriate proportion of fixed and variable production overheads. The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and appropriate proportions of common costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognised as finance cost.

2. Significant accounting policies (cont'd)

(p) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease Note 2(k); and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance leases - the Group as lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amounts of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(h).

(iii) Operating leases - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

2. Significant accounting policies (cont'd)

(p) Leases (cont'd)

(iv) Operating leases - the Group as lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(q) Impairment of non-financial assets

The carrying amounts of assets, other than investment property, construction contract assets, property development costs, inventories, deferred tax assets and non-current assets held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cashgenerating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value 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 the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2. Significant accounting policies (cont'd)

(r) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and 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 taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises 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 is 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 tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as an income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(s) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

2. Significant accounting policies (cont'd)

(s) Employee benefits (cont'd)

(iii) Unfunded defined benefit plan

Foreign subsidiaries in Indonesia operates an unfunded defined benefit plan ("the plan") for its eligible employees in accordance with the local labour law. The defined benefit obligations under the plan, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries. That benefit is discounted to determine its present value.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

(iv) Terminations benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

(t) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of properties

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 2(l).

(ii) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2(m).

(iii) Rental income

Rental income are recognised on an accrual basis.

(iv) Interest income

Interest income is recognised on an accrual basis.

2. Significant accounting policies (cont'd)

(t) Revenue recognition (cont'd)

(v) Sale of goods

Revenue from sale of goods is recognised net of sales taxes and discounts upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(vi) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(vii) Management fees

Management fees are recognised when services are rendered.

(viii) Water concession

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

(u) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

2. Significant accounting policies (cont'd)

(u) Foreign currencies (cont'd)

(ii) Foreign currency transactions (cont'd)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(v) Financial assets

Financial assets are recognised in the statements of financial position when, and only when,the Group and the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include the following:

2. Significant accounting policies (cont'd)

(v) Financial assets (cont'd)

(i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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

(ii) Available-for-sale financial assets

Available-for-sale financial assets are those that are designated as available for sale or are not classified in any of the other categories.

The Group's available for sale financial asstes comprise investments in unquoted equity instruments whose fair value cannot be reliably measured. These are measured at cost less impairment loss.

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

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

(w) Impairment of financial assets

The Group and the Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

2. Significant accounting policies (cont'd)

(w) Impairment of financial assets (cont'd)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(x) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company becomes a party to the contractual provisions of the financial instrument.

The Group and the Company's financial liabilities include amounts due to customers on contracts, trade and other payables, amount due to holding company, amounts due to subsidiaries, amounts due to related companies, hire purchase payables, bank borrowings and term loan.

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(y) Warrants

Warrants are recognised on the date of issue. The Issue of ordinary shares upon exercise of warrants are treated as new subscription of ordinary shares for the consideration equivalent to the warrants exercise price.

3. Significant accounting judgements and estimates

The directors are required to make certain estimates, judgements and assumptions that they believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 May 2011 was RM16,885,732 (2010: RM17,033,313). Further details are disclosed in Note 21.

(ii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are disclosed in Note 22.

(iii) Property development

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

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. Details of property development costs are disclosed in Note 23.

(iv) Construction contracts

The Group recognises contract revenue and contract costs in the income statement by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, as well as the recoverability of the construction projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. Details of construction contracts are disclosed in Note 24.

3. Significant accounting judgements and estimates (cont'd)

(v) Projected water revenue of the concession

Significant estimation is involved in determining the projected water revenue of concessions where the concession periods range between 16 to 22 years, commencing from 2005 to 2027. The projected water revenue is estimated based on the scheduled tariff as set out in the Concession Agreement and projected water consumption as assessed by the management.

A projection, in this context, means prospective financial information prepared on the basis of assumptions that include hypothetical assumptions as to future events and management's actions. The projection covers an extended future period for which there are inherent risks; actual results could differ from the projection, which will result in operating results being adjusted in the period in which the revision to assumptions is made.

(vi) Allowance for write-down in inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the carrying value of inventories.

(vii) Provision for Liquidated Ascertained Damages

Provision for liquidated ascertained damages ("LAD") is in respect of projects undertaken by certain subsidiaries and is recognised for expected LAD claims based on the terms of the applicable sale and purchase agreements. Significant judgement is required in determining the amount of provision for LAD to be made. The Group evaluates the amount of provision required based on past experience, the industry norm and the results from continuous dialogs held with affected customers.

4. Revenue

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Gross dividend from subsidiaries	**–**	–	**450,000**	15,400,000
Revenue from construction contracts	**299,091,045**	200,665,030	**–**	–
Rental income	**744,717**	599,297	**–**	–
Sale of development properties	**35,950,045**	55,613,684	**–**	–
Trading in protective and decorative coatings	**8,744**	79,021	**–**	–
Water concession	**14,692,292**	13,497,375	**–**	–
Management fees from subsidiaries	**–**	–	**3,182,000**	4,100,000
	350,486,843	270,454,407	**3,632,000**	19,500,000

5. Cost of sales

Cost of sales represents cost of inventories sold, cost of services provided, contract costs recognised as an expense, cost of development properties sold and cost of processing treated water.

6. Other Income

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Interest income from:				
- Held-to maturity investment	**987,790**	307,084	**472,783**	31,017
- Overdue from purchaser	**156,273**	–	**–**	–
Net gain on disposal of property, plant and equipment	**701,055**	547,763	**–**	–
Administration fees	**458,317**	931,139	**–**	–
Sales of scrap iron	**258,132**	333,408	**–**	–
Rental income	**144,000**	243,331	**–**	–
Commission income	**–**	134,648	**–**	–
Miscellaneous	**825,144**	989,154	**–**	–
	3,530,711	3,486,527	**472,783**	31,017

7. Finance costs

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Interest expense on:				
- bank borrowings	**4,122,834**	3,616,268	**473,086**	996,429
- hire purchase contracts	**282,437**	144,808	**–**	–
	4,405,271	3,761,076	**473,086**	996,429

8. (Loss)/profit before tax

The following amounts have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2011 RM	2010 RM	**2011 RM**	2010 RM
(Loss)/profit before tax is stated after charging/(crediting):				
Auditors' remuneration - statutory audits:				
Holding company's auditors				
- current	**94,500**	99,500	**42,000**	25,000
- under/(over)provision in prior year	**48,063**	(7,900)	**–**	–
Other auditors				
- current	**134,149**	96,600	**–**	–
- under/(over)provision in prior year	**31,100**	(1,900)	**–**	–
Depreciation of property, plant and equipment (Note 14)	**3,610,443**	2,656,663	**12,572**	9,725
Depreciation of concession assets (Note 17)	**1,480,046**	1,784,130	**–**	–
Impairment of goodwill				
- included in other expenses (Note 21)	**1,597,310**	122,662	**–**	–
Non-executive directors' remuneration (Note 10)	**126,000**	126,000	**126,000**	126,000
Concession assets written off (Note 17)	**–**	90	**–**	–
Liquidated ascertained damages receivable (Note 26)	**–**	(210,833)	**–**	–
Provision for liquidated ascertained damages (Note 33)	**446,741**	478,881	**–**	–
Provision for doubtful debts (Note 26)	**9,557,121**	266,496	**–**	–
Operating leases				
- minimum lease payments for land and building	**–**	–	**134,676**	134,676
- income from lease of land and buildings	**(148,900)**	(194,800)	**–**	–
Employee benefits expense (Note 9)	**35,831,789**	16,814,188	**2,303,804**	1,950,289
Gain on disposal of property, plant and equipment	**(701,055)**	(547,763)	**–**	–
Inventories written off	**149,367**	187,255	**–**	–
Interest income				
- fixed deposits	**(987,790)**	(307,084)	**(472,783)**	(31,017)
Net foreign exchange gain	**–**	51,139	**–**	–

9. Employee benefits expense

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Salaries and other benefits	**32,691,373**	14,828,880	**2,122,831**	1,801,893
Contributions to:				
- defined contribution plan	**2,877,201**	1,431,842	**180,973**	148,396
- defined benefit plan (Note 32)	**263,215**	553,466	**–**	–
	35,831,789	16,814,188	**2,303,804**	1,950,289

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,663,409 (2010: RM2,362,652) and RM156,141 (2010: RM395,398) respectively as further disclosed in Note 10.

10. Directors' remuneration

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Directors of the Company:				
Executive:				
Salaries and other emoluments	**468,422**	914,074	**156,141**	377,703
Defined contribution plan	**–**	38,646	**–**	17,695
Non-Executive:				
Fees (Note 8)	**126,000**	126,000	**126,000**	126,000
	594,422	1,078,720	**282,141**	521,398
Directors of subsidiaries:				
Executive:				
Salaries and other emoluments	**2,040,493**	1,305,700	**–**	–
Defined contribution plan	**154,494**	104,232	**–**	–
	2,194,987	1,409,932	**–**	–
Total directors' remuneration	**2,789,409**	2,488,652	**282,141**	521,398
Estimated money value of benefits-in-kind	**26,400**	49,300	**3,900**	3,063
Total directors' remuneration including benefits-in-kind	**2,815,809**	2,537,952	**286,041**	524,461

10. Directors' remuneration (cont'd)

The number of directors of the Company whose total remuneration during the financial year analysed in bands of RM50,000 is as below:

	Number of directors	
	2011	2010
Executive directors:		
RM100,001 - RM150,000	–	2
RM200,001 - RM250,000	–	1
RM300,001 - RM350,000	–	–
RM350,001 - RM400,000	–	–
RM450,001 - RM500,000	1	1
Non-executive directors:		
RM50,000 and below	–	3
RM50,001 - RM100,000	3	–

11. Income tax expense

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current income tax:				
Malaysian income tax	2,599,041	5,274,697	315,175	4,148,886
Foreign tax	922,106	595,888	–	–
	3,521,147	5,870,585	315,175	4,148,886
(Over)/underprovision in prior years:				
Malaysian income tax	(904,530)	135,076	(18,253)	115,683
	2,616,617	6,005,661	296,922	4,264,569
Deferred tax (Note 22):				
Relating to origination and reversal of temporary differences	(89,830)	(706,089)	–	468
Under/(over)provision in prior years	451,340	(74,423)	11,179	3,290
	361,510	(780,512)	11,179	3,758
Total income tax expense	2,978,127	5,225,149	308,101	4,268,327

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

11. Income tax expense (cont'd)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Profit before tax	**(1,196,934)**	19,112,643	**52,621**	15,501,676
Taxation at Malaysian statutory tax rate of 25%	**(299,234)**	4,778,161	**13,155**	3,875,419
Effect of different tax rates in other countries	**137,223**	(54,530)	**–**	–
Income not subject to tax	**(183,977)**	(4,084,740)	**(29,667)**	(74,406)
Expenses not deductible for tax purposes	**2,859,652**	4,261,470	**431,146**	348,341
Group relief	**–**	–	**(114,784)**	–
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**80,834**	(383,262)	**–**	–
Deferred tax assets not recognised	**836,819**	647,397	**15,325**	–
(Over)/under provision of income tax in prior years	**(904,530)**	135,076	**(18,253)**	115,683
Under/(over)provision of deferred tax in prior years	**451,340**	(74,423)	**11,179**	3,290
Tax expense for the year	**2,978,127**	5,225,149	**308,101**	4,268,327

12. Earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2011 RM	**2010 RM**
(Loss)/profit for the year attributable to ordinary equity holders of the Company (RM)	**(4,403,682)**	14,915,669
Weighted average number of ordinary shares in issue	**170,394,226**	118,015,791
Basic (loss)/earnings per share (sen)	**(2.58)**	12.64

(b) Diluted

Fully diluted earnings per share on the basis of the assumed conversion of warrants has not been disclosed as the effect is anti-dilutive.

13. Jointly controlled entities

Details of the jointly controlled entities, all of which are unincorporated joint ventures domiciled in Malaysia, are as follows:

Name of jointly controlled entities	Principal activities	Proportion of ownership 2011 %	2010 %
Held by Gadang Engineering (M) Sdn Bhd:			
Konsortium Gadang Perembun *	Undertake design and build of the rehabilitation hospital (Lady Templer)	**55**	55
Gadang-BJQ Joint Venture **	Undertake site preparation, earthworks and main drainage for Runway 3 and its associated taxiways (Package EW02A) for the proposed development of new Low Cost Carrier Terminal	**100**	70
Held by Datapuri Sdn Bhd : Zeta Datapuri JV	Undertaken of development of new LCCT terminal and associated works at KL International Airport	**45**	–

	2011 RM	2010 RM
Assets and liabilities		
Non-current assets	**578,618**	652,690
Current assets	**34,130,928**	43,307,976
Total assets	**34,709,546**	43,960,666
Current liabilities, representing total liabilities	**26,702,468**	43,410,666
Results		
Revenue	**65,186,198**	55,970,808
Expenses, including finance costs and taxation	**4,512,010**	76,667

* The Group recognises its interest in the jointly controlled entity using the proportionate consolidation method as disclosed in Note 2(f).

** Although the joint venture is governed under a joint venture agreement, the Group exercise control over the joint venture and is consolidated in these financial statements.

14. Property, plant and equipment

	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovations RM	Plant in-progress RM	Total RM
Group											
31 May 2011											
Cost/Valuation											
At 1 June 2010	3,155,435	2,742,164	6,846,107	98,668,496	7,271,362	3,619,283	1,695,450	10,878,485	1,094,412	–	135,971,194
Additions	–	–	3,171	14,382,120	1,980,303	436,301	568,835	655,090	2,062,006	–	20,087,826
Reclassifications	(93,889)	–	(125,919)	(340,313)	341,543	(12,199)	(53,140)	187,806	28,591	–	(67,520)
Disposals	–	–	–	(9,218,373)	–	(44,765)	–	(442,591)	–	–	(9,705,729)
Exchange difference	(1,135)	–	(193)	(17,844)	(2,208)	18,419	–	(142,929)	–	–	(145,890)
At 31 May 2011	**3,060,411**	**2,742,164**	**6,723,166**	**103,474,086**	**9,591,000**	**4,017,039**	**2,211,145**	**11,135,861**	**3,185,009**	**–**	**146,139,881**
Representing:											
At cost	–	2,742,164	–	103,474,086	9,591,000	4,017,039	2,211,145	11,135,861	3,185,009	–	136,356,304
At valuation	3,060,411	–	6,723,166	–	–	–	–	–	–	–	9,783,577
	3,060,411	2,742,164	6,723,166	103,474,086	9,591,000	4,017,039	2,211,145	11,135,861	3,185,009	–	146,139,881

14. Property, plant and equipment (cont'd)

	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovations RM	Plant in-progress RM	Total RM
Group (cont'd)											
31 May 2011 (cont'd)											
Accumulated depreciation											
At 1 June 2010	–	291,731	1,948,705	43,268,392	5,461,689	3,101,541	1,365,165	6,533,280	950,025	–	62,920,528
Reclassification	–	–	(123,771)	375,917	136,133	11,228	1,464	156,497	27,298	–	584,766
Depreciation charge for the year:											
Recognised in income statement (Note 8)	–	51,657	154,950	1,390,307	663,445	212,112	82,532	795,930	259,510	–	3,610,443
Capitalised in construction costs (Note 24)	–	–	–	5,587,948	222,937	7,853	18,930	576,021	–	–	6,413,689
	–	51,657	154,950	6,978,255	886,382	219,965	101,462	1,371,951	259,510	–	10,024,132
Exchange difference	–	–	(193)	(1,063)	(747)	13,406	–	(131,879)	–	–	(120,476)
Disposals	–	–	–	(3,230,200)	–	(44,131)	–	(433,516)	–	–	(3,707,847)
At 31 May 2011	**–**	**343,388**	**1,979,691**	**47,391,301**	**6,483,457**	**3,302,009**	**1,468,091**	**7,496,333**	**1,236,833**	**–**	**69,701,103**
Net carrying amount											
At 31 May 2011:											
At cost	–	2,398,776	–	56,082,785	3,107,543	715,030	743,054	3,639,528	1,948,176	–	68,634,892
At valuation	3,060,411	–	4,743,475	–	–	–	–	–	–	–	7,803,886
	3 ,060,411	2,398,776	4,743,475	56,082,785	3,107,543	715,030	743,054	3,639,528	1,948,176	–	76,438,778

14. Property, plant and equipment (cont'd)

	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovations RM	Plant in-progress RM	Total RM
Group (cont'd)											
31 May 2010											
Cost/Valuation											
At 1 June 2009	3,051,895	2,742,164	6,602,539	49,567,582	6,764,130	3,511,289	1,419,123	7,801,659	1,094,412	1,368,988	83,923,781
Additions	93,888	–	180,085	49,294,885	590,967	139,770	276,925	3,440,948	–	–	54,017,468
Reclassifications	–	–	–	1,368,988	–	–	–	–	–	(1,368,988)	–
Disposals	–	–	–	(1,646,669)	(102,500)	(48,446)	(598)	(389,709)	–	–	(2,187,922)
Exchange difference	9,652	–	63,483	83,710	18,765	16,670	–	25,587	–	–	217,867
At 31 May 2010	3,155,435	2,742,164	6,846,107	98,668,496	7,271,362	3,619,283	1,695,450	10,878,485	1,094,412	–	135,971,194
Representing:											
At cost	9,652	2,742,164	63,483	98,668,496	7,271,362	3,619,283	1,695,450	10,878,485	1,094,412	–	126,042,787
At valuation	3,145,783	–	6,782,624	–	–	–	–	–	–	–	9,928,407
	3,155,435	2,742,164	6,846,107	98,668,496	7,271,362	3,619,283	1,695,450	10,878,485	1,094,412	–	135,971,194

14. Property, plant and equipment (cont'd)

	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovations RM	Plant in-progress RM	Total RM
Group (cont'd)											
31 May 2010 (cont'd)											
Accumulated depreciation											
At 1 June 2009	–	240,074	1,582,159	42,075,998	4,800,190	2,909,827	1,324,439	6,042,689	910,588	–	59,885,964
Reclassification	–	–	–	71,356	–	–	–	–	–	–	71,356
Depreciation charge for the year:											
Recognised in income statement (Note 8)	–	51,657	365,617	816,684	447,251	198,784	41,261	695,972	39,437	–	2,656,663
Capitalised in construction costs (Note 24)	–	–	–	1,869,333	290,929	5,322	–	152,565	–	–	2,318,149
	–	51,657	365,617	2,686,017	738,180	204,106	41,261	848,537	39,437	–	4,974,812
Exchange difference	–	–	929	37,969	8,169	11,853	–	18,783	–	–	77,703
Disposals	–	–	–	(1,602,948)	(84,850)	(24,245)	(535)	(376,729)	–	–	(2,089,307)
At 31 May 2010	–	291,731	1,948,705	43,268,392	5,461,689	3,101,541	1,365,165	6,533,280	950,025	–	62,920,528
Net carrying amount											
At 31 May 2010:											
At cost	9,652	2,450,433	63,483	55,400,104	1,809,673	517,742	330,285	4,345,205	144,387	–	65,070,964
At valuation	3,145,783	–	4,833,919	–	–	–	–	–	–	–	7,979,702
	3,155,435	2,450,433	4,897,402	55,400,104	1,809,673	517,742	330,285	4,345,205	144,387	–	73,050,666

14. Property, plant and equipment (cont'd)

Company	Furniture and fittings RM	Office equipment RM	Total RM
At 31 May 2011			
Cost			
At 1 June 2010	13,499	99,625	113,124
Additions	13,928	45,227	59,155
At 31 May 2011	**27,427**	**144,852**	**172,279**
Accumulated depreciation			
At 1 June 2010	3,958	49,158	53,116
Depreciation charge for the year (Note 8)	1,719	10,853	12,572
At 31 May 2011	**5,677**	**60,011**	**65,688**
Net carrying amount	21,750	84,841	106,591
At 31 May 2010			
Cost			
At 1 June 2009	8,135	80,828	88,963
Additions	5,364	18,797	24,161
At 31 May 2010	13,499	99,625	113,124
Accumulated depreciation			
At 1 June 2009	2,756	40,635	43,391
Depreciation charge for the year (Note 8)	1,202	8,523	9,725
At 31 May 2010	3,958	49,158	53,116
Net carrying amount	9,541	50,467	60,008

(a) Freehold land and buildings were revalued by the directors in 1997 after taking into consideration all relevant factors including the latest open market valuation on existing use basis carried out by an independent firm of professional valuers. These properties will henceforth be stated on the basis of the 1997 valuation, as allowed by the transitional provisions in the accounting standard on property, plant and equipment.

14. Property, plant and equipment (cont'd)

(a) (cont'd)

The net book values of the revalued properties had they been carried at cost less depreciation would have been:

	Group	
	2011	**2010**
	RM	**RM**
Freehold land	**986,686**	986,686
Buildings	**2,959,229**	3,019,621

(b) Freehold land and buildings with an aggregate net book value of RM7,519,317 (2010: RM7,650,716) are pledged to a licensed bank as security for credit facilities granted to a subsidiary as referred to in Note 31.

(c) The net book values of property, plant and equipment acquired under hire purchase contracts are as follows:

	Group	
	2011	**2010**
	RM	**RM**
Plant and machinery	**22,329,427**	12,412,603
Motor vehicles	**3,693,975**	2,973,849
	26,023,402	15,386,452

(d) Additions to property, plant and equipment during the financial year were acquired as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Cash payments	**14,388,780**	9,228,430	**59,155**	24,161
Hire purchase contracts	**5,699,046**	44,789,038	**–**	–
	20,087,826	54,017,468	**59,155**	24,161

(e) The net book value of leasehold land is represented as follows:

	Group	
	2011	**2010**
	RM	**RM**
Long term leasehold land	**2,398,776**	2,450,433

14. Property, plant and equipment (cont'd)

(f) The title deed of the leasehold land with carrying amount of RM134,400 (2010: RM136,380) is in the process of being registered in the name of the Group.

Leasehold land and buildings with carrying amounts of RM2,017,659 (2010: RM2,064,387) are pledged to a licensed bank as security for term loans and credit facilities granted to a subsidiary as referred to in Note 31.

15. Biological assets

	Group	
	2011 **RM**	**2010** **RM**
At 1 June 2010/2009	**1,399,298**	–
Cost incurred during the financial year	**2,487,539**	1,399,298
At 31 May	**3,886,837**	1,399,298

16. Investment properties

	Group	
	2011 **RM**	**2010** **RM**
At 1 June 2010/2009	**15,417,640**	4,197,040
Contra of lands	**–**	11,220,600
At 31 May	**15,417,640**	15,417,640
Represented by:		
Freehold land	**15,417,640**	15,417,640

Investment properties with an aggregate carrying value of RM15,194,840 (2010:RM3,974,240) are pledged as securities for borrowings (Note 31).

The fair values of the investment properties as at 31 May 2011 of the Group are estimated at RM19,593,708 (2010: RM20,205,521) based on directors' assessment of the current prices in an active market for the respective properties within each vicinity.

17. Concession assets

	Group	
	2011	**2010**
	RM	**RM**
Cost		
At 1 June 2010/2009	**45,890,077**	43,518,914
Additions	**1,254,589**	1,124,680
Written off	**–**	(393)
Exchange difference	**(65,565)**	1,246,876
At 31 May	**47,079,101**	45,890,077
Accumulated depreciation		
At 1 June 2010/2009	**10,035,280**	7,800,748
Depreciation charge for the year (Note 8)	**1,480,046**	1,784,130
Written off	**–**	(303)
Exchange difference	**(41,487)**	450,705
At 31 May	**11,473,839**	10,035,280
Net carrying amount	**35,605,262**	35,854,797

18. Investments in subsidiaries

	Company	
	2011	**2010**
	RM	**RM**
Unquoted shares at cost	**85,157,851**	85,157,851

18. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Equity interest held 2011	Equity interest held 2010	Principal activities
Gadang Engineering (M) Sdn Bhd and its subsidiaries	Malaysia	100%	100%	Earthwork, building and civil engineering and construction work contractors and investment holding
Bincon Sdn Bhd	Malaysia	100%	100%	Hire of plant and machinery
Era Berkat Sdn Bhd *	Malaysia	51%	51%	Earthwork contractor
Katah Realty Sdn Bhd	Malaysia	100%	100%	Building and civil engineering construction works
Kartamo Corporation Sdn Bhd	Malaysia	100%	100%	Building and civil engineering construction works
Gadang Construction Sdn Bhd * and its subsidiary	Malaysia	100%	100%	Processing and supply of rock products and the manufacture of readymixed concrete
New-Mix Concrete Industries Sdn Bhd *	Malaysia	100%	100%	Trading in readymixed concrete
Gadang Engineering and Construction (India) Pvt Ltd *	India	95%	95%	Dormant
Regional Utilities Sdn Bhd and its subsidiaries	Malaysia	100%	100%	Investment holding
Asian Energy Pte Ltd **	Singapore	100%	100%	Investment holding
Asian Utilities Pte Ltd ** and its subsidiaries	Singapore	100%	100%	Investment holding
PT Taman Tirta Sidoarjo *	Indonesia	95%	95%	Water concession
Green Water Investment Pte Ltd **	Singapore	100%	100%	Water concession

18. Investments in subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation	Equity interest held 2011	Equity interest held 2010	Principal activities
Asian Utilities Pte Ltd ** and its subsidiaries (cont'd)				
PT Bintang Hytien Jaya *	Indonesia	95%	95%	Water concession
PT Hanarida Tirta Birawa *	Indonesia	95%	85%	Water concession
PT Sarana Catur Tirtakelola * and its subsidiary	Indonesia	65%	65%	Water concession
PT Sarana Tirta Rejeki * (80% nominal equity interest is held through PT Sarana Catur Tirtakelola and 10% is held through Asian Utilities Pte Ltd)	Indonesia	62%	62%	Water concession
Datapuri Sdn Bhd *	Malaysia	51%	51%	Provision of mechanical and electrical engineering services
Mandy Corporation Sdn Bhd *	Malaysia	100%	100%	Property development
Achwell Property Sdn Bhd *	Malaysia	100%	100%	Property development
Gadang Land Sdn Bhd and its subsidiaries	Malaysia	100%	100%	Provision of project management services and investment holding
Magnaway Sdn Bhd *	Malaysia	100%	100%	Property management and maintenance
Noble Paradise Sdn Bhd *	Malaysia	100%	100%	Property development
Sama Pesona Sdn Bhd *	Malaysia	100%	100%	Property development
Damai Klasik Sdn Bhd	Malaysia	100%	100%	Property development
City Version Sdn Bhd *	Malaysia	100%	100%	Property development
Gadang Properties Sdn Bhd and its subsidiary	Malaysia	100%	100%	Property investment and development
Buildmark Sdn Bhd *	Malaysia	100%	100%	Property development and investment

18. Investments in subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation	Equity interest held 2011	Equity interest held 2010	Principal activities
Gadang Land Sdn Bhd and its subsidiaries (cont'd)				
Flora Masyhur Sdn Bhd *	Malaysia	100%	100%	Property development
Splendid Pavilion Sdn Bhd *	Malaysia	100%	100%	Property development
Natural Domain Sdn Bhd *	Malaysia	100%	100%	Property development
Crimson Villa Sdn Bhd *	Malaysia	100%	100%	Dormant
Elegance Sonata Sdn Bhd *	Malaysia	100%	100%	Property development
Hillstrand Development Sdn Bhd *	Malaysia	100%	100%	Dormant
Detik Tiara Sdn Bhd *	Malaysia	100%	100%	Property development
Skyline Symphony Sdn Bhd *	Malaysia	100%	100%	Property development
Camar Ajaib Sdn Bhd *	Malaysia	70%	–	Property development
Gadang International (HK) Ltd * and its subsidiary	Hong Kong	100%	100%	Dormant
Jiawei Environment International Investment (HK) Ltd *	Hong Kong	100%	100%	Dormant
GLP Resources (M) Sdn Bhd * and its subsidiaries	Malaysia	100%	100%	General trading
GLP Manufacturing (M) Sdn Bhd *	Malaysia	100%	100%	General trading
GLP Paints (M) Sdn Bhd *	Malaysia	100%	100%	General trading
Gadang Plantations Holdings Sdn Bhd * and its subsidiaries	Malaysia	100%	100%	Investment holding
Desiran Impian Sdn Bhd	Malaysia	100%	100%	Plantation
Jauhari Mahir Sdn Bhd *	Malaysia	100%	–	Plantation

* Audited by firms other than Ernst & Young
** Audited by a member firm of Ernst & Young Global in Singapore.

18. Investments in subsidiaries (cont'd)

(a) Acquisition of subsidiaries during the financial year

(i) On 5 October 2010, Gadang Plantations Holdings Sdn Bhd, the Company's wholly-owned subsidiary, had acquired two (2) ordinary shares of RM1.00 each representing 100% equity interest in Jauhari Mahir Sdn Bhd ("Jauhari Mahir") for total consideration of RM2.00. Jauhari Mahir was incorporated on 27 January 2010 and its principal activity is oil palm plantation.

(ii) On 19 October 2010, the Company's indirect wholly-owned subsidiary, Asian Utilities Pte Ltd ("AUPL"), acquired an additional 334 shares representing 10% equity interest in PT. Hanarida Tirta Birawa ("HTB") from the minority shareholders, Joko Tripujono Sunaryo and Muchtar Hadi for a total cash consideration of Indonesian Rupiah (IDR) 3,466,000,000 (equivalent to approximately RM1.22 million). In consequence thereof, AUPL's equity interest in HTB increased from 85% to 95%.

(iii) On 11 November 2010, the Company's indirect wholly-owned subsidiary, Flora Masyhur Sdn Bhd completed its acquisition of 70% equity interest in Camar Ajaib Sdn Bhd ("CASB"). Accordingly, CASB became an indirect 70% owned subsidiary of the Company.

The acquisition of subsidiaries as disclosed in Note 18(a)(i), (ii) and (iii) do not have any material effect on the financial position and results of the Group.

(b) Acquisition of subsidiaries in the previous financial year

During the previous financial year, the Group completed the following acquisitions:

(i) On 13 April 2010, Gadang Land Sdn Bhd, the Company's wholly-owned subsidiary, had acquired two (2) ordinary shares of RM1.00 each representing 100% equity interest in Hillstrand Development Sdn Bhd ("Hillstrand") for total consideration of RM2.00. Hillstrand was incorporated on 7 December 2009 and its principal activity is property development.

(ii) On 27 April 2010, Gadang Land Sdn Bhd, the Company's wholly-owned subsidiary, had acquired two (2) ordinary shares of RM1.00 each representing 100% equity interest in Detik Tiara Sdn Bhd ("Detik Tiara") for total consideration of RM2.00. Detik Tiara was incorporated on 5 March 2010 and its principal activity is property development.

(iii) On 11 May 2010, Gadang Land Sdn Bhd, the Company's wholly-owned subsidiary, had acquired two (2) ordinary shares of RM1.00 each representing 100% equity interest in Skyline Symphony Sdn Bhd ("Skyline Symphony") for total consideration of RM2.00. Skyline Symphony was incorporated on 26 March 2010 and its principal activity is property development.

The acquisition of subsidiaries as disclosed in Note 18(b)(i),(ii) and (iii) do not have any material effect on the financial position and results of the Group.

19. Investments in associates

	Group 2011 RM	Group 2010 RM
In Malaysia:		
Unquoted shares, at cost	**25**	625,025
Disposal of shares	**–**	(625,000)
Share of post-acquisition reserves	**(25)**	(25)
	–	–
Analysed as:		
Share of net assets	**–**	–

In the previous financial year, GLP Resources (M) Sdn Bhd disposed its associate, Norimax Sdn Bhd for RM625,000.

Details of the associates, which are incorporated in Malaysia are as follows:

Name of subsidiaries	Equity interest held 2011	Equity interest held 2010	Principal activities
Maha Abadi Sdn Bhd (Incorporated in Malaysia)	25%	25%	Dormant

The summarised financial information of the associates are as follows:

	2011 RM	2010 RM
Assets and liabilities		
Non-current assets	**–**	–
Current assets	**2**	2
Total assets	**2**	2
Non-current liabilities	**–**	–
Current liabilities	**44,320**	43,576
Total liabilities	**44,320**	43,576
Results		
Revenue	**–**	–
Expenses, including finance costs and taxation	**(194)**	(340)

20. Other investments

	Group 2011 RM	Group 2010 RM
Available-for-sale financial assets		
Unquoted shares at cost	**100,000**	100,000
Golf club membership	**126,000**	126,000
	226,000	226,000

21. Goodwill on consolidation

	Group 2011 RM	Group 2010 RM
Cost		
At 1 June 2010/2009	**17,033,313**	17,155,975
Acquisition of a subsidiary	**1,449,729**	–
At 31 May	**18,483,042**	17,155,975
Accumulated amortisation and impairment (Note 8)	**(1,597,310)**	(122,662)
Net carrying amount	**16,885,732**	17,033,313

Impairment tests for goodwill

Goodwill has been allocated to the Group's cash generating units ("CGUs") identified according to the particular business segments as follows:

	Group 2011 RM	Group 2010 RM
At 31 May		
Property development	**12,811,135**	12,811,135
Water concession	**4,074,597**	4,222,178
	16,885,732	17,033,313

	Discount rate	Discount rate
At 31 May		
Property development	**7.8%**	7.8%
Water concession	**13.0% - 15.0%**	13.0% - 15.0%

21. Goodwill on consolidation (cont'd)

The recoverable amount of a CGU is determined based on value-in-use calculations applying a discounted cash flow model based on financial budgets approved by management covering a 5 to 25 years period. Cash flows beyond the five-year period are projected based on the assumptions that the 5th year operating cash flow will be generated by the respective CGUs perpetually. Discount rate used is based on the pre-tax weighted average cost of capital.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying values of the goodwill to materially exceed their recoverable amounts.

22. Deferred taxation

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
At 1 June 2010/2009	**4,724,369**	5,655,244	**12,682**	8,924
Recognised in income statement (Note 11)	**361,510**	(780,512)	**11,179**	3,758
Exchange difference	**122,118**	(150,363)	**–**	–
At 31 May	**5,207,997**	4,724,369	**23,861**	12,682
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	**6,029,307**	5,580,391	**23,861**	12,682
Deferred tax assets	**(821,310)**	(856,022)	**–**	–
	5,207,997	4,724,369	**23,861**	12,682

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Land under development RM	Concession assets RM	Property, plant and equipment RM	Total RM
At 1 June 2010	3,052,140	1,824,112	704,139	5,580,391
Recognised in income statement	(51,452)	(75,895)	451,699	324,352
Exchange difference	–	124,564	–	124,564
At 31 May 2011	**3,000,688**	**1,872,781**	**1,155,838**	**6,029,307**
At 1 June 2009	4,257,897	1,995,401	487,155	6,740,453
Recognised in income statement	(1,205,757)	(1,357)	216,984	(990,130)
Exchange difference	–	(169,932)	–	(169,932)
At 31 May 2010	3,052,140	1,824,112	704,139	5,580,391

22. Deferred taxation (cont'd)

Deferred tax liabilities of the Group:

	Tax losses and unabsorbed capital allowances RM
At 1 June 2010	(856,022)
Recognised in income statement (Note 11)	34,712
At 31 May 2011	**(821,310)**
At 1 June 2009	(1,085,209)
Recognised in income statement (Note 11)	229,187
At 31 May 2010	(856,022)

Deferred tax liabilities of the Company:

	Property, plant and equipment RM
At 1 June 2010	12,682
Recognised in income statement (Note 11)	11,179
At 31 May 2011	**23,861**
At 1 June 2009	8,924
Recognised in income statement (Note 11)	3,758
At 31 May 2010	12,682

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2011 RM	**2010 RM**
Unused tax losses	**4,835,560**	1,553,128
Unabsorbed capital allowances	**4,136,932**	2,814,420
	8,972,492	4,367,548

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available in these subsidiaries against which the Group can utilise the benefits.

23. Property development costs

	Group 2011 RM	2010 RM
Cumulative property development costs		
At 1 June 2010/2009:		
Freehold land	**62,979,957**	58,569,267
Leasehold land	**25,855,706**	25,855,706
Development costs	**40,559,078**	228,629,763
	129,394,741	313,054,736
Costs incurred during the year:		
Freehold land	**18,773,949**	4,410,690
Development costs	**31,663,461**	24,326,329
Reversal of completed projects	**–**	(210,277,344)
Transfer to inventories	**–**	(2,119,670)
	179,832,151	129,394,741
Cumulative costs recognised in income statement		
At 1 June 2010/2009:	**(54,564,187)**	(226,579,725)
Recognised during the year	**(13,434,098)**	(38,261,806)
Reversal of completed projects	**–**	210,277,344
At 31 May	**(67,998,285)**	(54,564,187)
Property development costs at 31 May	**111,833,866**	74,830,554
Analysed as:		
Freehold land	**81,753,906**	62,979,957
Leasehold land	**25,855,706**	25,855,706
Development costs	**72,222,539**	40,559,078
Cumulative costs recognised in income statement	**(67,998,285)**	(54,564,187)
	111,833,866	74,830,554

(a) The freehold land under development of the Group with a carrying value of RM8,344,599 (2010: RM8,010,077) is pledged to a licensed bank as security for credit facilities granted to certain subsidiaries as referred to in Note 31.

(b) The freehold land under development of the Group with a carrying value of RM42,860,398 (2010: RM42,860,398) is charged as security for term loans and credit facilities granted to the Company and certain subsidiaries as referred to in Note 31.

(c) The leasehold land under development of the Group with a carrying value of RM15,658,135 (2010: RM15,658,135) is pledged to licensed banks as security for term loans and credit facilities granted to certain subsidiaries as referred to in Note 31.

24. Amounts due from/(to) customers on contracts

	Group 2011 RM	Group 2010 RM
Construction contract costs incurred to date	**1,109,668,766**	1,178,626,574
Attributable profits	**33,166,297**	60,883,440
	1,142,835,063	1,239,510,014
Less: Progress billings	**(1,069,220,441)**	(1,175,552,572)
Due from customers on contracts-in-progress	**73,614,622**	63,957,442
Due from customers on completed contracts for which final accounts have not been issued	**4,802,389**	9,210,115
	78,417,011	73,167,557

	Group 2011 RM	Group 2010 RM
Due from customers on contracts	**80,039,794**	73,230,250
Due to customers on contracts	**(1,622,783)**	(62,693)
	78,417,011	73,167,557
Advances received on contracts, included within trade payables (Note 34)	**4,508,211**	4,258,242
Retention sums on contracts, included within trade receivables (Note 26)	**18,028,682**	20,503,871
Contract costs recognised as an expense	**306,105,362**	204,368,991

Contract revenue recognised during the year is disclosed in Note 4.

The costs incurred to date on construction contracts include the following charges made during the financial year:

	Group 2011 RM	Group 2010 RM
Depreciation of property, plant and equipment (Note 14)	**6,413,689**	2,318,149
Hire of plant and machinery	**20,600,830**	6,755,243

25. Inventories

	Group 2011 RM	Group 2010 RM
At cost:		
Construction materials on site	**–**	5,019,643
Raw materials	**30,354**	122,578
Oil palm nurseries	**668,876**	131,231
Finished goods	**296,830**	215,824
Properties held for sale	**940,192**	10,018,984
	1,936,252	15,508,260
At net realisable value:		
Finished goods	**32,649**	187,255
	1,968,901	15,695,515

26. Trade and other receivables

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Trade receivables	**86,952,340**	74,591,627	**–**	–
Retention sums (Note 24)	**18,028,682**	20,503,871	**–**	–
Accrued billings on contracts in respect of property development costs	**–**	737,408	**–**	–
	104,981,022	95,832,906	**–**	–
Amounts due from subsidiaries	**–**	–	**146,544,915**	101,348,808
Other receivables	**9,515,961**	3,694,486	**42,522**	55,674
Prepayments	**363,512**	1,209,685	**27,628**	90,228
Deposits	**3,718,593**	4,327,904	**1,000**	101,000
Advances to subcontractors	**6,000,582**	10,635,137	**–**	–
Due from an associate	**–**	43,551	**–**	–
Liquidated ascertained damages receivable from sub-contractor	**210,833**	210,833	**–**	–
	19,809,481	20,121,596	**146,616,065**	101,595,710
Trade and other receivables	**124,790,503**	115,954,502	**146,616,065**	101,595,710
Less: Provision for doubtful debts	**(14,231,387)**	(4,674,266)	**–**	–
Trade and other receivables (net)	**110,559,116**	111,280,236	**146,616,065**	101,595,710
Add: Cash and bank balances (Note 28)	**56,219,826**	25,985,527	**21,529,170**	6,560,079
Less: Prepayments	**(363,512)**	(1,209,685)	**(27,628)**	(90,228)
Total loans and receivables	**166,415,430**	136,056,078	**168,117,607**	108,065,561

26. Trade and other receivables (cont'd)

(a) Included in trade and other receivables of the Group are amounts which have been outstanding in excess of 12 months amounting to RM42,353,283 (2010: RM44,559,180) for which a provision of RM14,231,387 (2010: RM4,674,266) has been made. In assessing the extent of irrecoverable amounts, the directors have given due consideration to all pertinent information relating to the ability of the debtors to settle the amounts owing. Notwithstanding the overdue nature of these debts, the directors of the Company have assessed the amounts due from debtors less provision for irrecoverable amounts as stated in the financial statements, to be fully recoverable.

(b) The amount from an associate are unsecured, non-interest bearing and repayable on demand.

(c) Included in trade and other receivables of the Group are balances denominated in Indonesian Rupiah amounting to RM2,518,420 (2010: RM2,204,420).

(d) The Group's normal trade credit term ranges from 30 to 90 (2010: 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

(e) The Group has significant concentration of credit risk as approximately 20% (2010: 35%) of the trade receivables as of 31 May 2011 are due from a single debtor.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	2011 RM	**2010 RM**
Neither past due nor impaired	**26,094,726**	10,921,059
1 to 30 days past due not impaired	**5,964,512**	12,785,475
31 to 60 days past due not impaired	**8,041,760**	1,043,994
More than 91 days past due not impaired	**833,469**	308,295
More than 120 days past due not impaired	**2,918,619**	2,649,475
More than 1 year past due not impaired	**45,208,645**	55,016,813
Impaired	**15,919,291**	13,107,795
	104,981,022	95,832,906

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records.

Receivables that are past due but not impaired

The trade receivables that are past due but not impaired are unsecured.

26. Trade and other receivables (cont'd)

Receivables that are individually impaired (cont'd)

The Group's trade receivables that are impaired at the reporting date and the movement in the allowance account used to record impairment are as follows:

	2011 RM	2010 RM
Trade receivables	**15,919,291**	13,107,795
Less : Allowance for impairment	**(15,919,291)**	(13,107,795)
	–	–

Movement in allowance account:

	2011 RM	2010 RM
At 1 June 2010	**4,674,266**	4,407,770
Additional during the year	**9,557,121**	266,496
At 31 May 2011	**14,231,387**	4,674,266

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

27. Amounts due from/to subsidiaries

The amounts due from/to subsidiaries are unsecured, non-interest bearing and repayable on demand.

The Company will not demand repayment of amounts due from subsidiaries in so far as it will adversely affect their operations.

28. Cash and cash equivalents

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Cash on hand and at banks	**19,334,416**	17,796,731	**12,516,947**	2,650,913
Fixed deposits with licensed banks	**36,885,410**	8,188,796	**9,012,223**	3,909,166
	56,219,826	25,985,527	**21,529,170**	6,560,079
Less: Bank overdrafts (Note 31)	**(17,199,483)**	(17,237,129)	**(4,844,825)**	(4,920,878)
Cash and cash equivalents	**39,020,343**	8,748,398	**16,684,345**	1,639,201

28. Cash and cash equivalents (cont'd)

(a) Included in cash at banks of the Group are amounts of RM589,151 (2010: RM1,301,200) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and therefore are restricted from use in other operations.

(b) Fixed deposits of the Group amounting to RM33,106,534 (2010: RM7,775,198) are pledged to banks for credit facilities granted to a subsidiary.

(c) The weighted average effective interest rates of deposits at the balance sheet date were as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	%	**%**	**%**	**%**
Fixed deposits with licensed banks	**2.39**	2.36	**2.25**	2.00

(d) The average maturities of deposits as at the balance sheet date were as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	Days	**Days**	**Days**	**Days**
Fixed deposits with licensed banks	**53**	52	**90**	90

(e) Included in cash and bank balances of the Group are balances denominated in Indonesian Rupiah amounting to RM1,145,168 (2010: RM1,153,022).

29. Share capital

	Number of Ordinary Shares of RM1 Each		Amount	
	2011	**2010**	**2011**	**2010**
			RM	**RM**
Authorised:				
At 1 June 2010/2009	**200,000,000**	200,000,000	**200,000,000**	200,000,000
Created during the year	**200,000,000**	–	**200,000,000**	–
At 31 May	**400,000,000**	200,000,000	**400,000,000**	200,000,000
Issued and fully paid:				
At 1 June 2010/2009	**118,015,791**	118,015,791	**118,015,791**	118,015,791
Issued during the year pursuant to rights issue	**78,675,427**	–	**78,675,427**	–
At 31 May	**196,691,218**	118,015,791	**196,691,218**	118,015,791

30. Reserves

		Group		Company	
		2011	**2010**	**2011**	**2010**
		RM	**RM**	**RM**	**RM**
Non-distributable					
Capital reserve	(a)	**1,346,681**	1,346,681	**–**	–
Share premium	(b)	**–**	8,815,834	**–**	8,815,834
Warrant reserve	(c)	**6,175,984**	–	**6,175,984**	–
Foreign exchange reserve	(d)	**(2,040,845)**	(1,736,982)	**–**	–
		5,481,820	8,425,533	**6,175,984**	8,815,834
Distributable					
Retained profits		**28,319,919**	58,528,096	**748,590**	26,808,565
		33,801,739	66,953,629	**6,924,574**	35,624,399

(a) The capital reserve is in respect of share premium of Gadang Engineering (M) Sdn Bhd, a subsidiary of the Company, which was capitalised for a bonus issue.

(b) The movement in the share premium of the Group and Company are as follows:

	Group and Company	
	2011	**2010**
	RM	**RM**
At 1 June 2010/2009	**8,815,734**	8,815,734
Capitalised to share capital	**(8,815,734)**	–
At 31 May	**–**	8,815,734

During the financial year, the Company increased its authorised share capital from RM200,000,000 to RM400,000,000 by the creation of an additional 200,000,000 ordinary shares of RM1.00 each. On the even date, the Company issued 78,675,427 new ordinary shares of RM1.00 each pursuant to its two-call rights issue at an issue price of RM1.00 per share (of which the first call of RM0.65 was payable in cash on application and the second call of RM0.35 was capitalised from the Company's share premium and retained profits accounts) with 19,668,739 free detachable warrants 2010/2015 as disclosed in the notes to the financial statements.

30. Reserves (cont'd)

(c) The movement in the warrants reserve of the Group and Company are as follows:

	Group and Company	
	2011	2010
	RM	RM
At 1 June 2010/2009	**–**	–
Issue of warrants	**6,175,984**	–
At 31 May	**6,175,984**	–

The salient terms of the Warrants are as follows:

(i) the Warrants will be issued in registered form and constituted by a Deed Poll. For the purpose of trading of the Warrants on Bursa Securities, a board lot of Warrants shall be 100 Warrants carrying the right to subscribe for 100 ordinary shares of RM1.00 of the Company;

(ii) the exercise price is RM1.00 per ordinary share of RM1.00 of the Company and each Warrant will entitle the registered holder to subscribe for 1 new ordinary share of the Company during the exercise period;

(iii) the exercise period is for a period of 5 years commencing on and including the date of allotment of the Warrants. Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid;

(iv) the new ordinary shares to be issued pursuant to the exercise of the Warrants will, upon allotment and issue, rank pari passu in all respects with the then existing ordinary shares of the Company, save and except that the holders of the new ordinary shares of the Company shall not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is on or before the date of allotment of the ordinary shares of the Company pursuant to the exercise of the Warrants;

(v) the Warrants are constituted under a Deed Poll executed on 20 August 2010;

(vi) in the case of a members' voluntarily winding up, or a compromise or arrangement between the Company and its members or any class of them (whether or not in connection with a scheme for reconstruction or amalgamation), every Warrant holder as evidenced in the Record of Depositors shall be treated as having the right to subscribe for new ordinary shares of the Company in accordance with the terms and conditions of the Deed Poll, at any time within 6 weeks after passing of such resolution for a members' voluntarily winding up of the Company, or within 6 weeks after the granting of the court order in respect of the compromise or arrangement; and

30. Reserves (cont'd)

(c) The salient terms of the warrants are as follows: (cont'd)

(vii) the Warrant holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such Warrant holders exercise their Warrants for new ordinary shares of the Company.

As at 31 May 2011, the Warrants remained unexercised.

(d) The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(e) In the past, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 May 2011, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained profits.

31. Bank borrowings

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Short term borrowings				
Secured:				
Bank overdrafts (Note 28)	**17,199,483**	17,237,129	**4,844,825**	4,920,878
Bankers acceptances	**2,597,662**	5,080,247	**402,000**	256,000
Revolving credits	**36,136,837**	28,913,687	**11,386,838**	9,986,837
Trust receipts	**28,888,478**	5,981,360	**–**	58,000
Term loans	**22,103,525**	19,449,964	**–**	–
Hire purchase payables	**12,662,850**	11,777,297	**–**	–
	119,588,835	88,439,684	**16,633,663**	15,221,715
Long term borrowings				
Secured:				
Term loans	**21,281,094**	23,921,343	**–**	–
Hire purchase payables	**2,762,466**	11,408,324	**–**	–
	24,043,560	35,329,667	**–**	–
Total borrowings				
Bank overdrafts	**17,199,483**	17,237,129	**4,844,825**	4,920,878
Bankers acceptances	**2,597,662**	5,080,247	**402,000**	256,000
Revolving credits	**36,136,837**	28,913,687	**11,386,838**	9,986,837
Trust receipts	**28,888,478**	5,981,360	**–**	58,000
Term loans	**43,384,619**	43,371,307	**–**	–
Hire purchase payables	**15,425,316**	23,185,621	**–**	–
	143,632,395	123,769,351	**16,633,663**	15,221,715
Maturity of borrowings (excluding hire purchase payables)				
Within one year	**106,925,985**	76,662,387	**16,633,663**	15,221,715
More than one year and less than two years	**7,960,747**	9,726,067	**–**	–
More than two years and less than five years	**13,320,347**	14,195,276	**–**	–
Five years or more	**–**	–	**–**	–
	128,207,079	100,583,730	**16,633,663**	15,221,715

(a) The bank borrowings are secured by the following:

(i) charge over freehold land, leasehold land and buildings of certain subsidiaries as disclosed in Note 14(b) and Note 14(f);

31. Bank borrowings (cont'd)

(a) The bank borrowings are secured by the following: (cont'd)

(ii) charge over freehold land under development of certain subsidiaries as disclosed in Note 23(a) and Note 23(b);

(iii) charge over leasehold land under development of a subsidiary as disclosed in Note 23(c);

(iv) charge over investment properties of a subsidiary as disclosed in Note 16;

(v) corporate guarantee by the Company and

(vi) fixed deposits with licensed banks of a subsidiary as disclosed in Note 28(b).

(b) The weighted average effective interest rates at the balance sheet date for bank borrowings, which are at floating rates were as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	%	**%**	**%**	**%**
Bank overdrafts	**8.25**	7.75	**7.85**	7.30
Bankers acceptances	**5.27**	4.79	**5.16**	4.58
Revolving credits	**5.40**	4.88	**5.16**	4.58
Trust receipts	**8.05**	7.26	**–**	7.30
Term loans	**8.25**	8.28	**–**	–

(c) Included in bank borrowings of the Group are term loans denominated in Indonesian Rupiah amounting to RM5,502,071 (2010: RM7,274,996).

(d) Analysis of hire purchase payables

	Group	
	2011	**2010**
	RM	**RM**
Minimum lease payments:		
Not later than 1 year	**13,644,477**	12,709,351
Later than 1 year and not later than 2 years	**1,365,668**	10,582,143
Later than 2 years and not later than 5 years	**1,821,791**	1,882,410
	16,831,936	25,173,904
Less: Future finance charges	**(1,406,620)**	(1,988,283)
	15,425,316	23,185,621
Present value of hire purchase liabilities:		
Not later than 1 year	**12,662,850**	11,777,297
Later than 1 year and not later than 2 years	**1,203,786**	9,799,257
Later than 2 years and not later than 5 years	**1,558,680**	1,609,067
	15,425,316	23,185,621

31. Bank borrowings (cont'd)

(d) Analysis of hire purchase payables (cont'd)

	Group 2011 RM	Group 2010 RM
Analysed as:		
Due within 12 months	**12,662,850**	11,777,297
Due after 12 months	**2,762,466**	11,408,324
	15,425,316	23,185,621

The hire purchase liabilities bear interest at the balance sheet date at flat rates between 1.98% to 10.73% (2010: 1.98% to 10.73%) per annum.

32. Defined benefit obligations

Foreign subsidiaries in Indonesia operates an unfunded defined benefit plan for its eligible employees in accordance with the local labour law.

	Group 2011 RM	Group 2010 RM
Movement in the net liability in the current year were as follows:		
At 1 June 2010/2009	**940,967**	376,927
Recognised in income statement (Note 9)	**263,215**	553,466
Payment	**–**	(6,918)
Exchange difference	**(1,518)**	17,492
At 31 May	**1,202,664**	940,967

	Group 2011 %	Group 2010 %
Principal actuarial assumptions used:		
Discount rate	**10**	11
Average salary increase	**9**	9

Assumptions regarding future mortality are based on published statistics and mortality tables.

33. Provisions

	Group 2011 RM	Group 2010 RM
Provision for liquidated ascertained damages		
At 1 June 2010/2009	**478,881**	–
Provision	**446,741**	478,881
Less: Payment	**(33,913)**	–
At 31 May	**891,709**	478,881

Provision for liquidated ascertained damages is in respect of projects undertaken by certain subsidiaries. The provision is recognised for expected liquidated ascertained damages claims based on the terms of the applicable sale and purchase agreements.

34. Trade and other payables

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Trade payables (a)	**74,599,580**	68,836,892	**–**	–
Accrued subcontractor work	**26,331,837**	38,584,491	**–**	–
Advances from contract customers (Note 24)	**4,508,211**	4,258,242	**–**	–
Other payables	**4,928,471**	1,710,085	**136,415**	23,664
Other accruals	**3,743,576**	3,905,853	**183,812**	185,866
Deposits received	**6,944,613**	3,559,490	**–**	–
Advances from a director (b)	**4,025,631**	2,733,599	**–**	–
Amounts due to subsidiaries	**–**	–	**33,416,874**	25,200,042
Total trade and other payables	**125,081,919**	123,588,652	**33,737,101**	25,409,572
Add: Loans and borrowings (Note 31)	**143,632,395**	123,769,351	**16,633,663**	15,221,715
Total financial liabilities carried at amortised cost	**268,714,314**	247,358,003	**50,370,764**	40,631,287

34. Trade and other payables (cont'd)

(a) Trade payables include amounts due to persons and companies which are related to directors of the Company. Balances as at the balance sheet date are as follows:

	Group	
	2011 RM	2010 RM
(i) Parties related to Tan Sri Dato' Kok Onn:		
- Kok Khim Boon (brother)	**397,334**	867,756
- Kok Kiw (brother) and KNL Jaya Construction Sdn Bhd (company connected to Kok Kiw)	**–**	72,865
- Kok Thiam Fook (cousin)	**171,282**	160,851
- Magnibiz Sdn Bhd (brother-in-law is a shareholder in the company)	**138,087**	144,690
- TFK Enterprise Sdn Bhd (company connected to Kok Thiam Fook)	**20,110**	1,574,032
	726,813	2,820,194

(b) Advances from Tan Sri Dato' Kok Onn, a director are unsecured, interest-free and repayable on demand.

(c) The normal trade credit terms granted to the Group range from 30 to 90 (2010: 30 to 90) days.

(d) Included in trade and other payables of the Group are balances denominated in Indonesian Rupiah amounting to RM1,632,071 (2010: RM1,105,761).

35. Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	2011 RM	2010 RM
Company		
Subsidiaries:		
Gross dividends income	**450,000**	15,400,000
Management fees income	**3,182,000**	4,100,000
Rental expense - land and buildings	**134,676**	134,676
Group		
Subcontractor work payable to related parties:		
- Datapuri Sdn Bhd (a)	**1,431,774**	–
- Kok Khim Boon (b)	**603,359**	3,699,842
- TFK Enterprise Sdn Bhd (c)	**–**	157,158

35. Significant related party transactions (cont'd)

(a) Datapuri Sdn Bhd is a 51% owned subsidiary of the Company and 49% owned by Exclusive Acres Sdn Bhd of which Tan Sri Dato' Kok Onn's nephew is a director and shareholder.

(b) Tan Sri Dato' Kok Onn's brother.

(c) TFK Enterprise Sdn Bhd is a sole-proprietorship owned by Madam Lee Bee Lan @ Ng Bee Len, the spouse of Mr Kok Thiam Fook who is the cousin of Tan Sri Dato' Kok Onn.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel comprises all the directors of the Group and of the Company and members of senior management of the Group.

The key management personnel compensations are as follows:

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Directors (Note 10):				
Salaries and bonus	**2,508,915**	2,219,774	**156,141**	377,703
Fees	**126,000**	126,000	**126,000**	126,000
Defined contribution plan	**154,494**	142,878	**–**	17,695
Other benefits	**26,400**	49,300	**3,900**	3,063
	2,815,809	2,537,952	**286,041**	524,461
Senior management:				
Salaries and bonus	**782,923**	782,923	**48,217**	48,217
Defined contribution plan	**91,803**	91,803	**5,787**	5,787
	874,726	874,726	**54,004**	54,004
Total key management personnel compensations	**3,690,535**	3,412,678	**340,045**	578,465

36. Contingent liabilities

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Bank guarantees issued to:				
(a) Director General of Immigration Malaysia	**18,000**	21,250	**–**	–

37. Segment information

(a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(b) Business segments

The Group comprises the following main business segments:

(i) Earthworks, building and civil engineering construction works – involved in bulk earthworks, general construction, construction of commercial, industrial and residential buildings and design and build works.

(ii) Property and development – the development of residential and commercial properties.

(iii) Water concession – construction, maintenance and management of facilities to provide treated water supply in Indonesia.

(iv) Plantation - oil palm cultivation.

37. Segment information (cont'd)

(b) Business segments (cont'd)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

31 May 2011	Earthwork, building and civil engineering and construction works RM	Property Investment and development RM	Water concession RM	Investment holding and others RM	Plantation RM	Elimination RM	Consolidated RM
Revenue							
External sales	299,835,762	35,950,045	14,692,292	8,744	–	–	350,486,843
Inter-segment sales	53,637,257	2,800,504	986,400	5,594,946	–	(63,019,107)	–
Total revenue	353,473,019	38,750,549	15,678,692	5,603,690	–	(63,019,107)	350,486,843
Result							
Segment results	(4,411,103)	8,113,023	3,138,549	1,959,910	(491,291)	(5,100,751)	3,208,337
Finance costs							(4,405,271)
Share of results of associates	–	–	–	–	–		–
Loss before tax							(1,196,934)
Income tax expense							(2,978,127)
Loss for the year							(4,175,061)
Attributable to:							
Equity holders of the Company							(4,403,682)
Minority interest							228,621
							(4,175,061)

37. Segment information (cont'd)

(b) Business segments (cont'd)

31 May 2011 (cont'd)	Earthwork, building and civil engineering and construction works RM	Property Investment and development RM	Water concession RM	Investment holding and others RM	Plantation RM	Elimination RM	Consolidated RM
Segment assets	398,041,353	274,769,900	71,116,708	282,316,767	6,019,742	(519,371,584)	512,892,886
Unallocated assets							821,310
Total assets							513,714,196
Segment liabilities	362,982,363	190,647,745	60,859,393	81,553,654	6,788,140	(430,144,939)	272,686,356
Unallocated liabilities							6,029,307
Total liabilities							278,715,663
Other Information							
Depreciation and amortisation	8,530,892	455,665	2,279,129	184,704	53,788	–	11,504,178
Capital expenditure	16,454,292	3,075,433	1,463,070	62,155	287,465	–	21,342,415
Other significant non-cash expenses:							
- Provisions	–	–	–	–	–		–

37. Segment information (cont'd)

(b) Business segments (cont'd)

31 May 2010	Earthwork, building and civil engineering and construction works RM	Property Investment and development RM	Water concession RM	Investment holding and others RM	Plantation RM	Elimination RM	Consolidated RM
Revenue							
External sales	201,264,327	55,613,684	13,497,375	79,021	–	–	270,454,407
Inter-segment sales	147,184,147	4,101,590	887,000	19,504,758	–	(171,677,495)	–
Total revenue	348,448,474	59,715,274	14,384,375	19,583,779	–	(171,677,495)	270,454,407
Result							
Segment results	9,204,525	8,682,489	708,873	15,914,998	(442,921)	(11,171,787)	22,896,177
Finance costs							(3,761,076)
Share of results of associates	–	–	–	(22,458)	–		(22,458)
Profit before tax							19,112,643
Income tax expense							(5,225,149)
Profit for the year							13,887,494
Attributable to:							
Equity holders of the Company							14,915,669
Minority interest							(1,028,175)
							13,887,494

37. Segment information (cont'd)

(b) Business segments (cont'd)

31 May 2010 (cont'd)	Earthwork, building and civil engineering and construction works RM	Property Investment and development RM	Water concession RM	Investment holding and others RM	Plantation RM	Elimination RM	Consolidated RM
Segment assets	348,758,933	217,184,268	65,373,544	214,312,641	3,109,109	(403,851,428)	444,887,067
Investments in associate							–
Unallocated assets							856,022
Total assets							445,743,089
Segment liabilities	303,483,123	139,283,397	55,847,115	64,347,965	3,320,470	(315,337,960)	250,944,110
Unallocated liabilities							5,580,391
Total liabilities							256,524,501
Other Information							
Depreciation and amortisation	4,012,403	213,476	2,291,961	240,831	–	271	6,758,942
Capital expenditure	52,949,546	263,832	1,408,245	24,161	496,364	–	55,142,148
Other significant non-cash expenses:							
- Provisions	163,349	–	–	422,901	–		586,250

37. Segment information (cont'd)

(c) Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. The Group's four business segments operate in two main geographical areas:

(i) Malaysia - the operations in this area are principally earthworks, building and civil engineering construction works, property and development and manufacturing and trading in protective and decorative coatings, and oil palm cultivation.

(ii) Indonesia - the operations in this area are principally water concession.

	Total revenue from external customers RM	Segment assets RM	Capital expenditure RM
31 May 2011			
Malaysia	**336,989,468**	**460,052,572**	**19,879,345**
Indonesia	**13,497,375**	**26,935,258**	**1,463,070**
Singapore	**–**	**25,905,056**	**–**
	350,486,843	**512,892,886**	**21,342,415**
31 May 2010			
Malaysia	256,957,032	392,046,753	53,733,903
Indonesia	13,497,375	26,935,258	1,408,245
Singapore	–	25,905,056	–
	270,454,407	444,887,067	55,142,148

38. Commitments

	Group 2011 RM	2010 RM
Approved and contracted for:		
Purchase of land for property development	**13,000,000**	29,700,000
Capital expenditure for engineering and construction division	**–**	12,000,000
Approved but not contracted for:		
Oil palm plantations development	**15,000,000**	20,000,000

39. Significant events

In addition to the significant events disclosed in Note 18(a), other significant events during the financial year are as follows:

(a) The corporate proposals announced on 10 February 2010 that have been completed as at the date of the audited financial statements are as follows:

(i) Renounceable two-call rights issue of up to 78,675,427 new ordinary shares of RM1.00 each ("Shares") in Gadang ("Rights Shares") at an indicative issue price of RM1.00 per Rights Share on the basis of two (2) Rights Shares for every three (3) Existing Shares in Gadang ("Gadang Shares") together with up to 19,668,739 free detachable warrants ("Warrants") on the basis of one (1) Warrant for every four (4) Rights Shares held in Gadang at an issue price of RM1.00 per Rights Share, of which the first call of RM0.65 is payable in cash on application and the second call of RM0.35 is to be capitalised from Gadang's share premium account and retained profits accounts ("Rights Issue");

(ii) Increase in the authorised share capital of Gadang from RM200,000,000 comprising 200,000,000 Gadang Shares of RM1.00 each to RM400,000,000 comprising 400,000,000 Gadang Shares by the creation of an additional 200,000,000 Gadang Shares; and

(iii) Amendments to the Memorandum and Articles of Association of Gadang.

The Rights Issue has been completed on 4 October 2010, following the admission of the Warrants to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities"), and the listing of and quotation for the 78,675,427 Rights Shares and 19,668,739 Warrants on the Main Market of Bursa Securities on 4 October 2010.

(b) As disclosed in the financial statements of the previous year, on 11 August 2009, Flora Masyhur Sdn Bhd ("FMSB") entered into a Share Sale Agreement with Raja Zainal Abidin Bin Raja Hussin ("the Vendor") to acquire from the Vendor, 700,000 ordinary shares of RM1.00 each representing 70% equity interest in the issued and paid-up share capital of Camar Ajaib Sdn Bhd ("CASB") for a purchase consideration of RM200,000 ("Proposed Acquisition").

By a joint venture Agreement dated 7 June 2002 between CASB and Ridzwan Bin Wahi ("the Landowner") who is the registered owner of all that freehold land held under HS(D) 2811 PT 165 Bandar Pokok Sena Daerah Pokok Sena Negeri Kedah Darul Aman measuring approximately 81.6454 hectares (approximately 201.746 acres) ("the said Land"), CASB and the Landowner had agreed to jointly develop the said Land upon the terms and conditions contained therein ("the JV Agreement"). The primary business of CASB shall be to develop the said Land into a mixed development consisting of commercial and residential units with the Landowner via the JV Agreement.

On 21 September 2010, FMSB entered into a Supplemental Agreement to the Share Sale Agreement dated 11 August 2009. Pursuant to the Supplemental Agreement, the parties mutually agreed to modify, amend and/or vary the terms of the Share Sale Agreement dated 11 August 2009 to incorporate the following:

39. Significant events (cont'd)

(i) The Supplemental Agreement to the JV agreement which was entered into between the Landowner, the registered owner of all that freehold land held under HS(D) 2811 PT 165 Bandar Pokok Sena Daerah Pokok Sena Negeri Kedah Darul Aman measuring approximately 81.6454 hectares (approximately 201.746 acres) ("the said Land") and CASB on 11 June 2010, to accomodate the purchase of the said Land by CASB from the Landowner; and

(ii) The sale and purchase agreement which was entered into between CASB and the Landowner on 11 June 2010 whereby the Landowner had agreed to sell and CASB had agreed to purchase the said Land on such terms and conditions as appearing therein.

The acquisition of CASB was completed on 11 November 2010. With the completion, CASB became an indirect 70% owned subsidiary of the Company.

(c) On 5th July 2010, GLP Manufacturing (M) Sdn Bhd entered into a Sale and Purchase Agreement with Norimax Sdn Bhd for the sale of its 2 pieces of land (Lot no: SD-279 & 280) Taman Perindustrian Puchong Seksyen 5 together with 2 units of 1 1/2 storey semi-detached factory for a purchase consideration of RM2,900,000.00.

(d) On 17 February 2011, Gadang Properties Sdn Bhd ("GPSB" or "Vendor"), a wholly-owned subsidiary of Gadang Land Sdn Bhd, which in turn is the wholly-owned subsidiary of Gadang, had entered into a Sale and Purchase Agreement ("SPA") with Engtex Platinum Sdn Bhd (formerly known as Centradell Sdn Bhd) (Company No. 928186-K) ("Purchaser") to dispose to the Purchaser, all the three (3) pieces of freehold lands measuring 219,341.8816 square metres in Mukim Rawang, Daerah Gombak, Negeri Selangor (collectively, the "Lands") for a total cash consideration of Ringgit Malaysia Twenty One Million (RM21,000,000.00) only ("Disposal Price").

40. Subsequent events

(a) As disclosed in the Note 39(d), Gadang Properties Sdn Bhd ("GPSB"), a wholly-owned subsidiary of Gadang Land Sdn Bhd, which in turn is the wholly-owned subsidiary of the Company, had on 17 February 2011 entered into a Sale and Purchase Agreement ("SPA") with Engtex Platinum Sdn Bhd (formerly known as Centradell Sdn Bhd) ("Purchaser") to dispose to the Purchaser, all the three (3) pieces of freehold lands measuring 219,341.8816 square metres in Mukim Rawang, Daerah Gombak, Negeri Selangor ("the Lands") for a total cash consideration of RM21,000,000.00.

The disposal of the Lands was completed on 27 June 2011 pursuant to the terms of the SPA.

(b) On 9 September 2011, the Company's indirect wholly-owned subsidiary, Flora Masyhur Sdn Bhd ("FMSB") acquired 300,000 ordinary shares of RM1.00 each representing the remaining 30% of the issued and paid-up share capital of Camar Ajaib Sdn Bhd ("CASB") from the minority shareholders, Raja Zainal Abidin Bin Raja Hussin and Raja Mahmood Bin Raja Hussein for a total cash consideration of RM86,000 ("Purchase Consideration"), thereby resulting in CASB becoming a wholly-owned subsidiary of FMSB.

40. Subsequent events (cont'd)

(c) As disclosed in the Note 39(c), GLP Manufacturing (M) Sdn Bhd entered into a Sale and Purchase Agreement with Norimax Sdn Bhd for the sale of its 2 pieces of land (Lot no: SD-279 & 280) Taman Perindustrian Puchong Seksyen 5 together with 2 units of 1 1/2 storey semi-detached factory ("the disposal") for a purchase consideration of RM2,900,000.00.

The disposal was completed on 21 June 2011 pursuant to the terms of the SPA.

41. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, credit risk and foreign currency risk.

The Board of Directors review and agree on the policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's primary interest rate risk relates to interest-bearing debt; the Company had no substantial long term interest-bearing assets as at 31 May 2011. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits for project financing.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group and the Company manages liquidity risk by maintaining sufficient cash. In addition, the Group and the Company maintains bank facilities such as working capital lines deemed adequate by the management to ensure it will have sufficient liquidity to meet its liabilities when they fall due.

41. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Company's liabilities as at the reporting date based on contracted undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Total RM
Group			
Financial liabilities:			
Amounts due to customers on contracts	1,622,783	–	1,622,783
Trade and other payables	125,081,919	–	125,081,919
Bank borrowings	128,240,946	29,647,868	157,888,814
Defined benefit obligations	–	1,202,664	1,202,664
Total undiscounted financial liabilities	254,945,648	30,850,532	285,796,180
Company			
Financial liabilities:			
Trade and other payables	33,737,101	–	33,737,101
Amounts due to subsidiaries	33,416,874	–	33,416,874
Bank borrowings	17,622,285	–	17,622,285
Total undiscounted financial liabilities	84,776,260	–	84,776,260

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk that arises from trade and other receivables is not significant. For cash and bank balances, the Company minimises credit risk by dealing exclusively with reputable financial institutions.

At the balance sheet date, the Group has no significant concentration of credit risk except as disclosed in Note 26(e) to the financial statements.

41. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cashflows of financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates internationally and is exposed to various currencies, mainly Indonesian Rupiah and Singapore Dollars. The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

Functional Currency of Group Companies	Net Financial Assets/(Liabilities) Held in Non-Functional Currencies				
	Ringgit Malaysia RM	**Singapore Dollar RM**	**Indonesian Rupiah RM**	**US Dollars RM**	**Total RM**
At 31 May 2011					
Ringgit Malaysia	**–**	**4,589,530**	**–**	**–**	**4,589,530**
Singapore Dollar	**(17,166,390)**	**–**	**6,962,798**	**–**	**(10,203,592)**
Indonesian Rupiah	**–**	**(6,962,798)**	**–**	**–**	**(6,962,798)**
	(17,166,390)	**(2,373,268)**	**6,962,798**	**–**	**(12,576,860)**
At 31 May 2010					
Ringgit Malaysia	–	6,247,029	–	–	6,247,029
Singapore Dollar	(18,681,995)	–	3,128,414	–	(15,553,581)
Indonesian Rupiah	–	(3,128,414)	–	–	(3,128,414)
	(18,681,995)	3,118,615	3,128,414	–	(12,434,966)

42. Fair values

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value:-

	Group	
	Carrying Amount RM	Fair Value RM
At 31 May 2011		
Hire purchase payables	**15,425,316**	**16,146,580**
At 31 May 2010		
Hire purchase payables	23,185,621	25,064,905

The fair values of hire purchase payables are estimated using discounted cash flow analysis, based on current lending rates for similar types of lending arrangements.

The carrying amounts of cash and short term-deposits, receivables and all other payables, based on their notional amounts, reasonably approximate fair values because these are mostly short term in nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

43. Capital management

The primary objective of the Group's capital management is to ensure that it maintains an optimal capital structure in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders. The Group's approach in managing capital are based on defined guidelines that are approved by the Board.

There were no changes in the Group's approach to capital management during the year.

44. Supplementary information - Disclosure of realised and unrealised profit

The breakdown of the retained profit of the Group as at 31 May 2011 into realised and unrealised losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group	
	2011	**2010**
	RM	**RM**
Total retained profits of the Company and its subsidiaries:		
- Realised	**28,628,196**	59,068,228
- Unrealised	**(308,277)**	(540,132)
Total retained profits per statement of financial position	**28,319,919**	58,528,096

	Company	
	2011	**2010**
	RM	**RM**
Total retained profits of the Company and its subsidiaries:		
- Realised	**748,590**	26,808,565
- Unrealised	**–**	–
Total retained profits per statement of financial position	**748,590**	26,808,565

List of Properties

as at 31 May 2011

Title/Location	Description /Existing use	Tenure	Acquisition Date (Revaluation Date)	Approximate Land Area/ (Built-up Area) in sq. ft	Estimated Age of Building/ Land	Net Book Value RM
Wisma Gadang No. 52 Jalan Tago 2 Off Jalan Persiaran Utama Sri Damansara 52200 Kuala Lumpur	6 ½ storey office block for own use	Freehold	(June 1997)	42,619 (45,043)	14 years	7,519,317
Plot No. 86 CD Emville Golf Resort Mukim Setul District of Seremban Negeri Sembilan	Vacant bungalow lot for investment	Leasehold ending 13/12/2082	(June 1997)	8,000	N/A	134,400
C.T. No. 12831 for Lot No. 1885 C.T. No. 12382 for Lot No. 1886 And C.T. No. 9041 for Lot No. 1888 Mukim of Rawang District of Ulu Selangor	Vacant industrial land for development	Freehold	20/12/1994	2,361,000	N/A	8,344,599
Bandar Tasik Semenyih PT 8298 HS(M) 4984	Vacant bungalow lot for sale	Leasehold ending 5/11/2094	23/12/1999	11,125	N/A	246,716
Lot 183 to 186 Mukim of Rawang District of Gombak State of Selangor	Industrial land for sale	Freehold	2/8/2001	198,712	N/A	3,974,240
Geran No. 49848, Lot No. 1132 Daerah Johor Baru, Bandar Johor Baru Negeri Johor Darul Taksim	Mixed industrial and commercial development	Freehold	31/7/2003	1,166,808	N/A	25,565,036
HS(D) 179584 PT 283 HS(D) 179585 PT 284 Taman Perindustrian Puchong Seksyen 5 Mukim of Petaling Selangor	2 units of 1½ storey semi-detached factory	Leasehold ending 2101	July 2004	30,494	13 years	2,017,659

List of Properties
as at 31 May 2011 (cont'd)

Title/Location	Description /Existing use	Tenure	Acquisition Date (Revaluation Date)	Approximate Land Area/ (Built-up Area) in sq. ft	Estimated Age of Building/ Land	Net Book Value RM
168 lots of factory land held under HS (D)41477 - HS (D)41506, PT No 24239 - 24268 HS (D)41509 - HS (D)41568, PT No 24271 - 24330 HS (D)42189 - HS (D)42203, PT No 24952 - 24966 HS (D)42205 - HS (D)42212, PT No 24968 - 24975, HS (D)42312 - HS (D)42366, PT No 24976 - 25030, Mukim of Rawang, District of Gombak, State of Selangor	Land for development (residential)	Freehold	31/10/2005	476,388	N/A	7,622,208
GM78 – Lot 471 and GM77 – Lot 472 Mukim 17, Batu Ferringgi Daerah Timur Laut, Penang	Land for Development (residential)	Freehold	17/04/2007	3.9075 hectares	N/A	9,673,151
Plot No. 208 HS (D) 252132 PT No. 1027 Plot No. 209 HS (D) 252119 PT No. 1014 Plot No. 211 HS (D) 252212 PT No. 1016 Plot No. 212 HS (D) 2521122 PT No. 1017 Plot No. 201 HS (D) 252138 PT No. 1033 Plot No. 202 HS (D) 252126 PT No. 1021 Plot No. 203 HS (D) 252127 PT No. 1022 Pekan Baru Sungai Besi, District of Petaling, Selangor Darul Ehsan	Vacant Bungalow lot for sale / development	Leasehold ending 01/12/2107	31/01/2010	74,804	N/A	11,220,600
Salak South Land Mukim Kuala Lumpur HS (D) 42144 Lot 49280	Land for development	Leasehold ending 17/06/2085	27/01/2010	531,432	N/A	33,985,365

Analysis Of Shareholdings & Warrantholdings

I. ANALYSIS OF SHAREHOLDINGS as at 30 September 2011

Share Capital

Authorised Share Capital	:	RM400,000,000
Issued & Fully Paid-Up Share Capital	:	RM196,691,218
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One vote per shareholder on a show of hands or one vote per ordinary share on a poll

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 99	33	0.66	1,331	0.00
100 - 1,000	903	17.96	868,627	0.44
1,001 - 10,000	2,640	52.52	14,568,985	7.41
10,001 - 100,000	1,268	25.22	40,897,723	20.79
100,001 - 9,834,559	181	3.60	80,873,725	41.12
9,834,560* and above	2	0.04	59,480,827	30.24
Total	5,027	100.00	196,691,218	100.00

* *denotes 5% of the issued and paid-up capital of the Company.*

REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of Shares Held			
Name	Direct Interest	%	Deemed Interest	%
1. Sumber Raswira Sdn Bhd	29,717,161	15.11	–	–
2. Tan Sri Dato' Kok Onn	6,116,666	3.11	59,480,827(a)	30.24
3. Meloria Sdn Bhd	29,763,666	15.13	–	–
4. Puan Sri Datin Chan Ngan Thai	–	–	29,763,666(b)	15.13

Notes

(a) *Deemed interested through Sumber Raswira Sdn Bhd and Meloria Sdn Bhd by virtue of Section 6A of the Companies Act, 1965 ("the Act")*

(b) *Deemed interested through Meloria Sdn Bhd by virtue of Section 6A of the Act*

Analysis Of Shareholdings & Warrantholdings (cont'd)

THIRTY LARGEST SHAREHOLDERS

		No. of Shares	%
1.	OSK Nominees (Tempatan) Sdn Berhad *Pledged securities account for Meloria Sdn Bhd*	29,763,666	15.13
2.	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged securities for Sumber Raswira Sdn Bhd*	29,717,161	15.11
3.	EB Nominees (Tempatan) Sendirian Berhad *Pledged securities account for Kok Onn*	6,116,666	3.11
4.	Mercsec Nominees (Tempatan) Sdn Bhd *Pledged securities account for Siow Wong Yen @ Siow Kwang Hwa*	5,874,600	2.99
5.	Chia Ting Poh @ Cheah Ting Poh	5,000,000	2.54
6.	HSBC Nominees (Asing) Sdn Bhd *Exempt An for BNP Paribas Securities Services*	2,538,833	1.29
7.	HLG Nominee (Asing) Sdn Bhd *Exempt An for UOB Kay Hian Pte Ltd*	2,500,000	1.27
8.	Mayban Nominees (Tempatan) Sdn Bhd *Yeoh Ah Tu*	2,067,000	1.05
9.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Ting Keaw @ Law Lee See*	2,005,000	1.02
10.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Mak Ngia Ngia @ Mak Yoke Lum*	1,975,300	1.00
11.	Citigroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Tan Kian Aik*	1,928,300	0.98
12.	EB Nominees (Tempatan) Sendirian Berhad *Pledged securities account for Ting Keaw @ Law Lee See*	1,508,000	0.77
13.	HLB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Chung Mui Nyok*	1,419,900	0.72
14.	Mayban Nominees (Tempatan) Sdn Bhd *Pledged securities account for Liaw Kit Siong*	1,351,100	0.69
15.	Chong Guan Seng	1,300,000	0.66
16.	Citigroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lee Yoke Koon*	1,100,000	0.56

THIRTY LARGEST SHAREHOLDERS (cont'd)

		No. of Shares	%
17.	Wu Chung Ta	1,072,000	0.54
18.	Yap Eng Eng	1,002,500	0.51
19.	Law Wan Cheen	1,000,000	0.51
20.	Loo Chuen Far	1,000,000	0.51
21.	Lee Chee Beng	995,900	0.51
22.	Yeoh Ah Tu	958,000	0.49
23.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Chung Mui Nyok*	952,900	0.48
24.	TA Nominees (Tempatan) Sdn Bhd *Pledged securities account for Mak Ngia Ngia@ Mak Yoke Lum*	915,000	0.47
25.	AllianceGroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Liew Swee Kong*	865,800	0.44
26.	HLB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lim Chou Bu*	856,200	0.44
27.	Chor Chee Heung	700,000	0.36
28.	Boey Tak Kong	618,000	0.31
29.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Mohd Basar Bin Parngon*	613,800	0.31
30.	Wong Saw Hing	600,000	0.31

II. **ANALYSIS OF WARRANTHOLDINGS** as at 30 September 2011

Warrants 2010/2015: 19,668,739 outstanding

DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings	Number of Warrantholders	%	Number of Warrants	%
Less than 99	53	4.41	2,296	0.01
100 - 1,000	441	36.69	260,578	1.33
1,001 - 10,000	461	38.35	1,896,301	9.64
10,001 - 100,000	214	17.81	6,581,303	33.46
100,001 - 983,435	32	2.66	7,951,895	40.43
983,436* and above	1	0.08	2,976,366	15.13
Total	1,202	100.00	19,668,739	100.00

* *denotes 5% of the issued warrants*

THIRTY LARGEST WARRANTHOLDERS

		Number of Warrants	%
1.	OSK Nominees (Tempatan) Sdn Berhad *Pledged securities account for Meloria Sdn Bhd*	2,976,366	15.13
2.	Freddy Lim Yong Cheng	778,066	3.96
3.	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged securities for Sumber Raswira Sdn Bhd*	687,865	3.50
4.	EB Nominees (Tempatan) Sendirian Berhad *Pledged securities account for Kok Onn*	611,666	3.11
5.	ISC Toptanks Sdn Bhd	400,000	2.03
6.	Mak Ngia Ngia @ Mak Yoke Lum	369,700	1.88
7.	Ng Cheek What	367,800	1.87
8.	OSK Nominees (Tempatan) Sdn Bhd *Pledged securities account for Wong Ah Yong*	280,000	1.42
9.	Mayban Securities Nominees (Tempatan) Sdn Bhd *Exempt An for UOB Kay Hian Pte Ltd*	279,000	1.42
10.	Mayban Nominees (Tempatan) Sdn Bhd *Yeoh Ah Tu*	266,750	1.36

THIRTY LARGEST WARRANTHOLDERS (cont'd)

		Number of Warrants	%
11.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Chung Mui Nyok*	257,300	1.31
12.	Chew Ko Keng	250,000	1.27
13.	Lee Chee Beng	250,000	1.27
14.	Ng Ah Meng	250,000	1.27
15.	Khoo Swee Chye @ Khoo Swee Hock	233,500	1.19
16.	Tan Kian Ling	221,800	1.13
17.	Lo Kee Heng	209,700	1.07
18.	Sumi Matsumura	207,866	1.06
19.	George Fong Gen Nyen	193,200	0.98
20.	Yau Chin Joo	181,500	0.92
21.	Lo Kee Heng	170,000	0.86
22.	Chong Soon Yin	157,200	0.80
23.	Siow Yet Kiew	151,000	0.77
24.	Chang Choon Fooi	135,600	0.69
25.	Chan Huan Hsiian	130,000	0.66
26.	Bek Thiam Hong	120,000	0.61
27.	Cheah Soon Hai	120,000	0.61
28.	ECML Nominees (Tempatan) Sdn Bhd *Pledged securities account for Tan Bee Yook*	119,100	0.61
29.	Kang Kwei Nyuk	118,716	0.60
30.	Yap Chee Khean	114,033	0.58

III. DIRECTORS' SHAREHOLDINGS & WARRANTHOLDINGS as at 30 September 2011

THE COMPANY

	Number of Ordinary Shares of RM1.00 each			
	Direct Interest	**%**	**Deemed interest**	**%**
Tan Sri Dato' Kok Onn	6,116,666	3.11	59,480,827(a)	30.24
Boey Tak Kong	618,000	0.31	–	–

	Number of Warrants			
	Direct Interest	**%**	**Deemed interest**	**%**
Tan Sri Dato' Kok Onn	611,666	3.11	3,674,231(a)	18.68
Boey Tak Kong	88,500	0.45	–	–

Note:

(a) Deemed interested through Sumber Raswira Sdn Bhd and Meloria Sdn Bhd by virtue of Section 6A of the Companies Act, 1965

By virtue of his interests in the shares of the Company, Tan Sri Dato' Kok Onn is also deemed interested in the shares of all the subsidiary companies to the extent the Company has an interest.

Save as disclosed, none of the other Directors of the Company had any interest in the shares and warrants of the Company or its related corporations as at 30 September 2011.

Notice Of 18th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighteenth (18th) Annual General Meeting (AGM) of Gadang Holdings Berhad (the Company) will be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 17th November 2011 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the year ended 31 May 2011 together with the Reports of the Directors and Auditors thereon. *(Ordinary Resolution 1)*

2. To approve the payment of Directors' fees of RM126,000.00 in respect of the financial year ended 31 May 2011 (FY2010: RM126,000). *(Ordinary Resolution 2)*

3. To re-elect Mr Boey Tak Kong, who is retiring in accordance with Article 108 of the Company's Articles of Association. *(Ordinary Resolution 3)*

4. To appoint Auditors and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 4)*

   Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto as "Annexure" has been received by the Company for the nomination of Messrs PKF who have given their consent to act, for appointment as Auditors and of the intention to propose the following ordinary resolution:-

   "That Messrs PKF be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary and Special Resolutions:-

5. **Authority to Directors to issue shares** *(Ordinary Resolution 5)*

   "**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorized to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum of the issued and paid-up share capital of the Company for the time being, subject always to the approvals of the relevant regulatory authorities."

6. **Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature and the provision of financial assistance** *(Ordinary Resolution 6)*

"**THAT**, subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and/or its subsidiaries ("Gadang Group") to enter into recurrent related party transactions of a revenue or trading nature and for the provision of financial assistance as set out in Section 2.4 of the Circular to Shareholders dated 25 October 2011 ("Circular") with the related parties listed in Section 2.3 of the Circular which transactions are necessary for the day-to-day operations, in the ordinary course of business of Gadang Group on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders;

THAT such authority shall commence immediately upon the passing of this resolution and shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless renewed by a resolution passed at that meeting;

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143 (1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143 (2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier;

AND THAT, the Directors and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorized by this resolution."

Notice Of 18th Annual General Meeting (cont'd)

7. **Proposed Amendment to the Articles of Association of the Company** *(Special Resolution)*

   "**THAT** the Company's Articles of Association be hereby amended by inserting the following new Article 115A immediately after the existing Article 115:-

   New Article 115A

   Directors' Meeting by Telephonic Communications, Videoconferencing or other forms of simultaneous communication

   The meetings of the Directors may be conducted by means of telephone or audio-visual conferencing or other methods of simultaneous communication by electronic, telegraphic or other means by which all persons participating in the meeting are able to hear and be heard at all times by all other participants without a need for a Director to be in physical presence of the other Directors and participation in the meeting in this manner shall be deemed to constitute presence in person at such meetings. The Directors participating in any such meeting shall be counted in the quorum for such meeting and subject to there being a requisite quorum at the commencement of such meeting, all resolutions passed by a majority of Directors attending or present at such meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the Directors duly convened and held. A Director may disconnect or cease to participate in the meeting if he makes known to all other Directors participating that he is ceasing to participate in the meeting and such Director shall, notwithstanding such disconnections, be counted in the quorum for such part of the meeting. The minutes of such a meeting signed by the chairman shall be conclusive evidence of any resolution of any meeting conducted in the manner as aforesaid. A meeting conducted by the aforesaid means is deemed to be held at the place agreed upon by the Directors attending the meeting, provided that at least one (1) of the Directors participating in the meeting was at that place for the duration of the meeting."

BY ORDER OF THE BOARD

SALLY TAN SEOK CHUNG
Secretary

Kuala Lumpur
25 October 2011

Notice Of 18th Annual General Meeting (cont'd)

NOTES:

1. A member of the Company entitled to attend and vote at this meeting, is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

2. The Articles provide that a member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

3. The instrument appointing the proxy must be deposited at the Registered Office of the Company at Wisma Gadang, No 52, Jalan Tago 2, Off Jalan Persiaran Utama, Sri Damansara, 52200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

(i) Ordinary Resolution 5 - Authority to Directors to issue shares

The proposed Ordinary Resolution 5, if passed, will empower the Directors of the Company, pursuant to Section 132D of the Companies Act, 1965, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued does not exceed 10% of the issued and paid-up share capital of the Company for the time being. This authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the last Annual General Meeting held on 23 November 2010 and which will lapse at the conclusion of the 18th Annual General Meeting.

The general authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

(ii) Ordinary Resolution 6 - Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature and for the provision of financial assistance

The proposed Ordinary Resolution 6, if passed, will empower the Company and its subsidiaries ("Gadang Group") to enter into recurrent related party transactions of a revenue or trading nature and for the provision of financial assistance which are necessary for Gadang Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Details relating to Ordinary Resolution 6 are set out in the Circular to Shareholders dated 25 October 2011, which is despatched together with this Annual Report 2011.

(iii) Special Resolution - Proposed Amendment to the Articles of Association of the Company

The proposed Special Resolution, if passed, is to facilitate board meetings of the Company to be held by way of telephonic communication, videoconferencing or other forms of simultaneous communication to enable Directors to deliberate on matters without having to travel to a common place of meeting at all times. This would enhance the administrative efficiency of the Company.

Further information on the Proposed Amendment to the Articles of Association of the Company is set out in the Circular to Shareholders dated 25 October 2011, which is despatched together with the Company's Annual Report 2011.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

There are no individuals who are standing for election as directors (excluding directors standing for a re-election) at the 18th Annual General Meeting of the Company.

Notice Of Nomination Of Auditors

Annexure

MELORIA SDN. BHD. (199713-P)
Wisma Gadang, No. 52 Jalan Tago 2, Off Jalan Persiaran Utama, Sri Damansara, 52200 Kuala Lumpur
Tel: 03-62756888 Fax: 03-62750136

3 October 2011

The Board of Directors
GADANG HOLDINGS BERHAD
Wisma Gadang, No. 52 Jalan Tago 2
Off Jalan Persiaran Utama
Sri Damansara
52200 Kuala Lumpur

Dear Sirs,

NOTICE OF NOMINATION OF AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965, we, being the substantial shareholder of Gadang Holdings Berhad ("Company"), hereby give notice of our intention to nominate Messrs PKF for appointment as Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young, and of our intention to propose the following as an ordinary resolution to be tabled at the forthcoming annual general meeting of the Company:

"That Messrs PKF be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the Directors."

Yours faithfully
For MELORIA SDN BHD

Director

FORM OF PROXY

NUMBER OF SHARES HELD	
CDS ACCOUNT NO.	

*I/We .... *NRIC No./Co. No.: ....
(FULL NAME IN BLOCK LETTERS)

of ....
(FULL ADDRESS)

being a *member/members of GADANG HOLDINGS BERHAD hereby appoint ....

.... NRIC No.: ....
(FULL NAME IN BLOCK LETTERS)

of ....
(FULL ADDRESS)

or *failing him/her .... NRIC No.: ....
(FULL NAME IN BLOCK LETTERS)

of ....
(FULL ADDRESS)

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the 18th Annual General Meeting of the Company to be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 17 November 2011 at 10.00 a.m., and at any adjournment thereof.

Please indicate with an "X" in the spaces provided below as to how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at *his/her discretion.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements and Reports		
2.	To approve the payment of Directors' fees		
3.	To re-elect Mr Boey Tak Kong as Director		
4.	To appoint Messrs PKF as Auditors		
5.	To authorize the Directors to issue shares		
6.	To renew the shareholders' mandate for Recurrent Related Party Transactions and provision of financial assistance		
7.	**SPECIAL RESOLUTION** Proposed Amendment to the Articles of Association of the Company		

* Strike out whichever not applicable

Dated this ______________ day of _________________ 2011

____

Signature/Common Seal of Member

Notes:

1. A member of the Company entitled to attend and vote at this meeting, is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
2. The Articles provide that a member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing the proxy must be deposited at the Registered Office of the Company at Wisma Gadang, No 52, Jalan Tago 2, Off Jalan Persiaran Utama, Sri Damansara, 52200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
GADANG HOLDINGS BERHAD
Wisma Gadang, No. 52 Jalan Tago 2
Off Jalan Persiaran Utama
Sri Damansara
52200 Kuala Lumpur

1st fold here

GADANG HOLDINGS BERHAD (278114-K)

Wisma Gadang, No. 52 Jalan Tago 2
Off Jalan Persiaran Utama
Sri Damansara, 52200 Kuala Lumpur

Tel : 603-6275 6888
Fax : 603-6275 2136
E-mail : corporate@gadang.com.my