GADANG HOLDINGS BERHAD
(278114-K)

annual report 2008

building on strength

FINANCIAL CALENDAR

Financial Year	31 May 2008
ANNOUNCEMENT OF RESULTS	
First Quarter ended 31 August 2007	30 October 2007
Second Quarter ended 30 November 2007	29 January 2008
Third Quarter ended 29 February 2008	29 April 2008
Fourth Quarter ended 31 May 2008	29 July 2008
DIVIDEND	
First and Final Dividend Book Closure Payment	 : 31 December 2008 : 15 January 2009
NOTICE OF ANNUAL GENERAL MEETING	: 4 November 2008
ANNUAL GENERAL MEETING	: 26 November 2008

CONTENTS

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

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%** City Version Sdn Bhd
- **100%** Natural Domain Sdn Bhd
- **100%** Flora Masyhur Sdn Bhd
- **100%** Crimson Villa Sdn Bhd
- **100%** Elegance Sonata Sdn Bhd

Water Concession

100% Regional Utilities Sdn Bhd
- **100%** Asian Utilities Pte Ltd
  - **95%** PT. Taman Tirta Sidoarjo
  - **95%** PT. Bintang Hytien Jaya
  - **85%** PT. Hanarida Tirta Birawa
  - **65%** PT. Sarana Catur Tirtakelola

Manufacturing and Trading

70% GLP Resources (M) Sdn Bhd
- **100%** GLP Manufacturing (M) Sdn Bhd
- **100%** GLP Paints (M) Sdn Bhd
- **25%** Norimax Sdn Bhd

Mechanical and Electrical Works

51% Datapuri Sdn Bhd

* Dormant companies are not included here

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

KOAY TENG KEONG
Executive Director

ADAM BIN BACHEK
Independent Non-Executive Director

LING HOCK HING
Executive Director

CHAN AH KAM @ CHAN AH THOONG
Executive Director

BOEY TAK KONG
Independent Non-Executive Director

SECRETARY

Tan Seok Chung, Sally
MAICSA 0829689

REGISTERED OFFICE

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 : gadang@tm.net.my
Website : www.gadang.com.my

REGISTRAR

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

AUDITORS

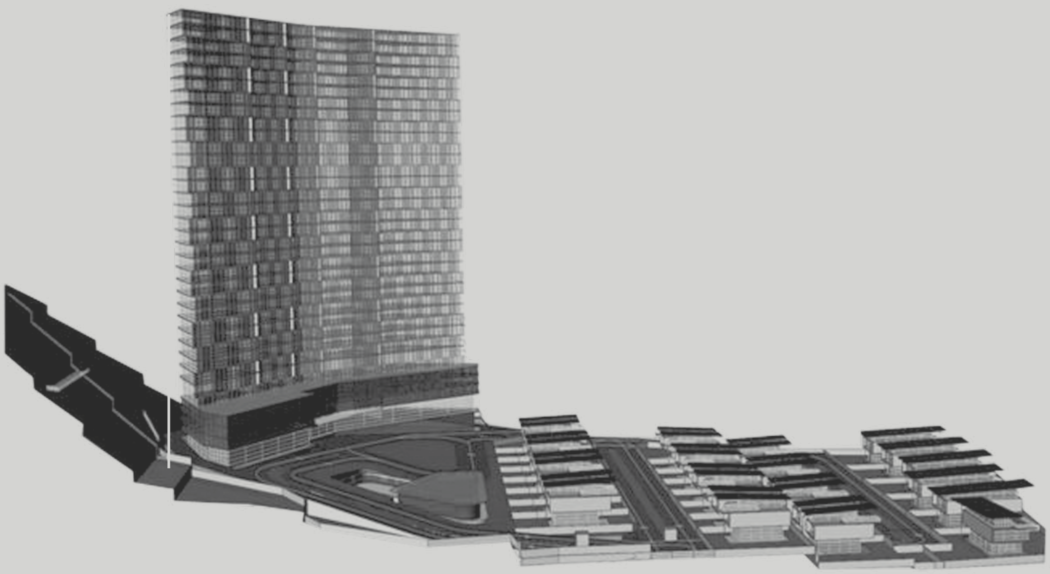
Ernst & Young AF 0039
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

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



board of directors

Datuk Wan Lokman Bin Dato' Wan Ibrahim
(Chairman)

Second Row, From Left
Tan Sri Dato' Kok Onn
(Managing Director/Chief Executive Officer)
Koay Teng Keong

Third Row, From Left
Adam Bin Bachek
Ling Hock Hing

Fourth Row, From Left
Chan Ah Kam @ Chan Ah Thoong
Boey Tak Kong

DATUK WAN LOKMAN BIN DATO' WAN IBRAHIM

Chairman and Independent Non-Executive Director

Datuk Wan Lokman Bin Dato' Wan Ibrahim, a Malaysian, aged 62, was appointed as Director of Gadang Holdings Berhad ("Gadang" or "the Company") on 19 May 1997 and Chairman on 1 July 2008. He is the Chairman of the Nomination Committee and a member of the Audit Committee and 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 57, 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. He is the Chairman of the Risk Management Committee and a member of the Remuneration Committee.

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 36 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 instrumental in transforming Bridgecon from a pure construction company to one with diverse activities that include manufacturing of concrete, quarrying, property and resort development and overseas toll expressway operations. Tan Sri Dato' Kok Onn is also a Non-Independent Non-Executive Director of Green Packet Berhad.

KOAY TENG KEONG

Executive Director

Mr Koay Teng Keong, a Malaysian, aged 51, joined the Board on 10 March 1997 as an Executive Director. He is a member of the Risk Management Committee.

Mr Koay graduated with a Bachelor of Science (Hons) Degree in Civil Engineering from the University of Birmingham, United Kingdom in 1979 and is also a registered Professional Engineer with the Board of Engineers, Malaysia. He was attached with Minconsult Sdn Bhd from 1979 to 1984.

He joined BESB in 1984 as a Project Manager in charge of contract administration and site management for various construction projects until his promotion as a Senior Project Coordinator and subsequently to his appointment as an Executive Director of Bridgecon from 1994 to March 1997. Mr Koay has been involved in the construction industry for the last 29 years in which he has gained extensive exposure in the construction sector. The major projects completed under his charge include, among others the Johor Bahru New Water Supply Scheme, Sultan Salehuddin Abdul Aziz Power Station – Phase II, Santubong Bridge, New Klang Valley Expressway, North South Expressway Packages, MAFC31 Bunker, Ixora Apartments, Pulau Redang Hotel Resort, KLCC-Ramlee Ramps & Connecting Tunnels, Earthworks for Puncak Alam Development, BASF-Petronas Chemicals Acrylics Complex and various civil works projects in Putrajaya. Mr Koay does not hold any directorship in any other public company.

ADAM BIN BACHEK

Senior Independent Non-Executive Director

Encik Adam Bin Bachek, a Malaysian, aged 60, was appointed as Director of Gadang on 19 May 1997. He is the Chairman of the Audit Committee and Remuneration Committee. He is also a member of the Nomination 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. Encik Adam does not hold any directorship in any other public company.

LING HOCK HING

Executive Director

Mr Ling Hock Hing, a Malaysian aged 43, joined the Board on 19 May 1997 as an Alternate Director and was subsequently appointed as an Executive Director on 2 September 1997. He is a member of the Risk Management Committee.

Mr Ling is a chartered accountant and a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. Prior to joining Gadang, he was the General Manager for Group Finance of Bridgecon.

Mr Ling was attached to KPMG Peat Marwick (now known as KPMG) from October 1986 to July 1991 where he qualified as a Certified Public Accountants before joining another audit firm, Ernst & Young in August 1991. He left Ernst & Young in August 1992, shortly before joining BESB in November 1992 as Finance Manager. Mr Ling does not hold any directorship in any other public company.

CHAN AH KAM @ CHAN AH THOONG

Executive Director

Mr Chan Ah Kam, a Malaysian aged 55, joined the Board on 1 February 2001 as an Executive Director. He is a member of the Risk Management Committee.

He holds a Bachelor of Engineering (Hons) Degree in Civil Engineering from the University of Malaya. He is a registered Professional Engineer with the Board of Engineers, Malaysia and is also a member of the Institution of Engineers, Malaysia.

Previously with BESB, Mr Chan was the Assistant General Manager for the Penang Operations, overseeing and monitoring the operations on the Northern Region of Malaysia. Prior to that, he was attached to the consultant engineering firm, Hashim & Neh Jurutera Perunding Sdn Bhd in Lumut Naval Base, Perak. From 1977 to 1985, he was working with the Government of Malaysia under Jabatan Kerja Raya and Ministry of Defence. Mr Chan does not hold any directorship in any other public company.

BOEY TAK KONG

Independent Non-Executive Director

Mr Boey Tak Kong, a Malaysian aged 54, joined the Board on 3 December 2007 as an Independent Non-Executive Director. He is a member of the Audit Committee and Nomination 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 training company.

His directorships in other public companies include Dutch Lady Milk Industries Berhad, Sanbumi Holdings Berhad, Green Packet Berhad and IJM Land Berhad (Formerly known as RB Land Holdings Berhad).

Other Information on Directors

Family Relationship

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.

Conflict of Interest

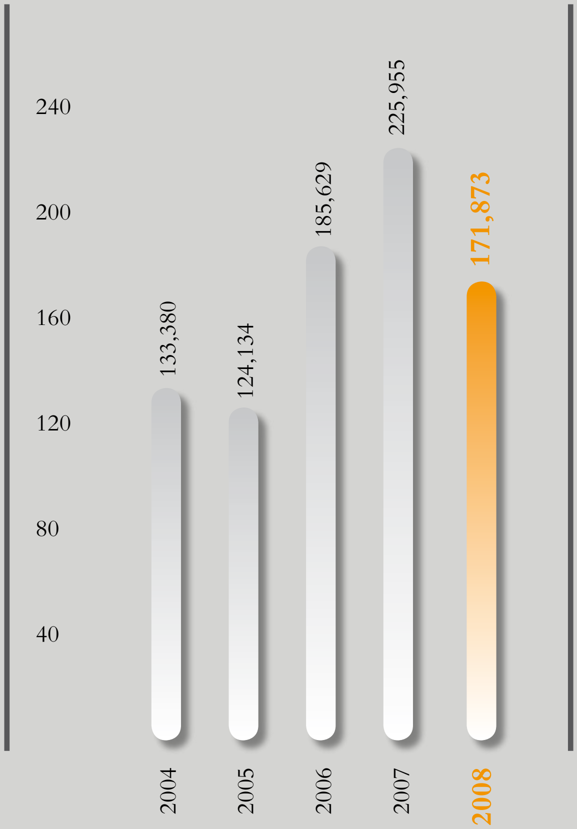
Other than the permitted related party transactions, none of the Directors has any conflict of interest with the Company.

Conviction for Offences

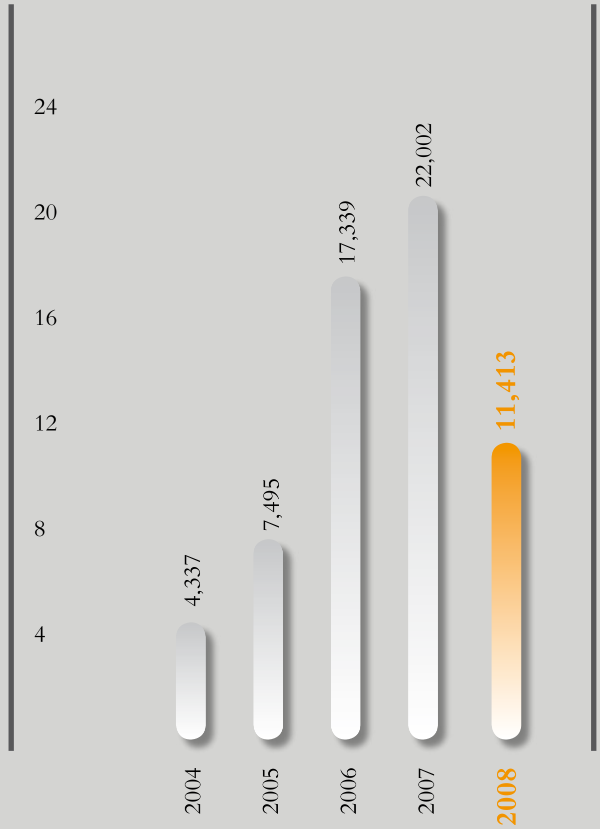
For the past 10 years, none of the Directors has any conviction for offences other than traffic offences.

financial highlights

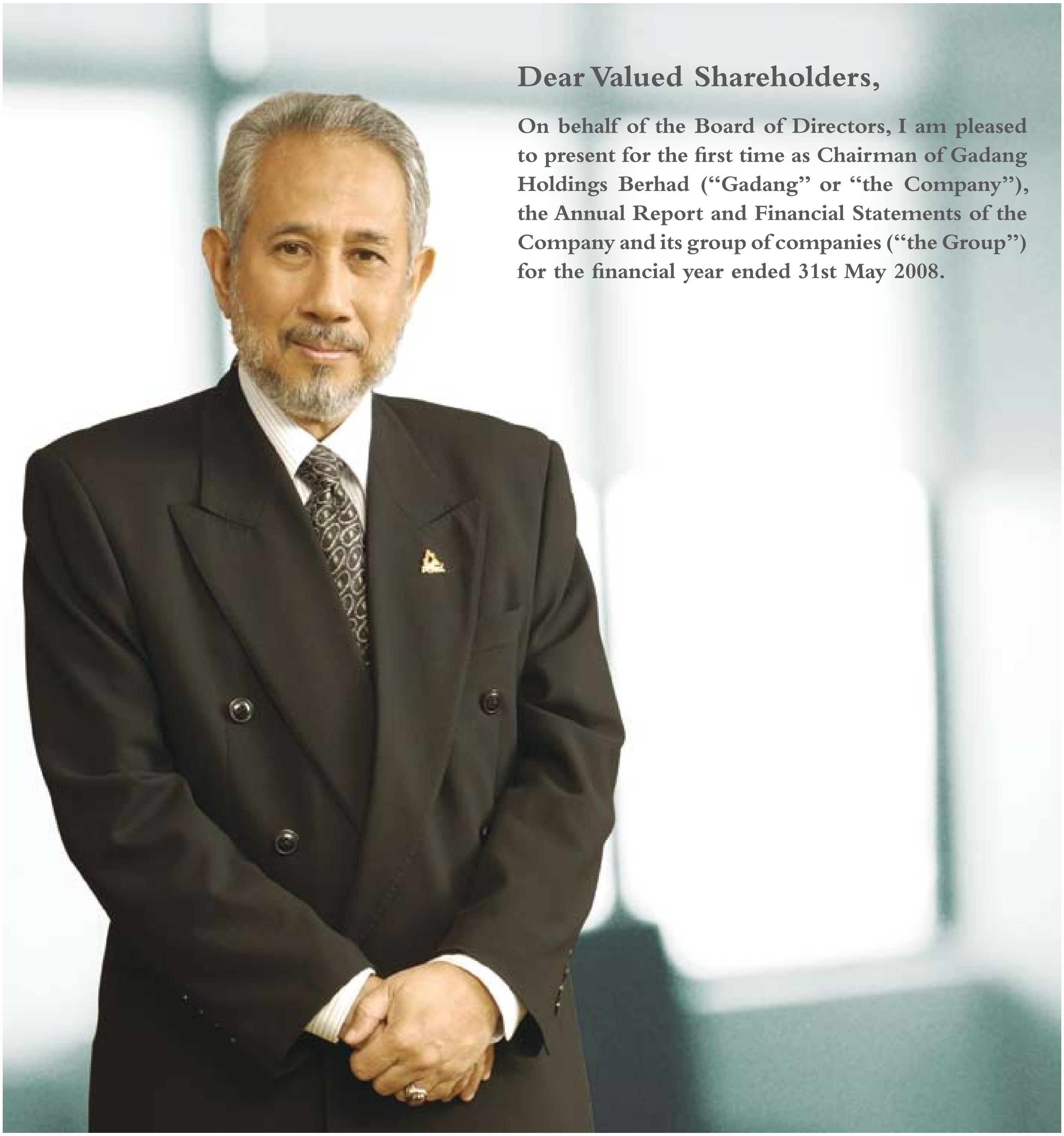
TURNOVER (RM'000)



PROFIT BEFORE TAXATION (RM'000)



Year Ended 31 May (RM'000)	2008	2007	2006	2005	2004
Turnover	171,873	225,955	185,629	124,134	133,380
Profit/(Loss) Before Taxation	11,413	22,002	17,339	7,495	4,337
Profit/(Loss) After Taxation	7,620	14,461	11,863	4,686	2,553
Profit/(Loss) Attributable to Shareholders	7,516	14,202	11,916	5,030	3,612
Shareholders' Funds	170,243	164,076	140,687	119,505	111,803
Total Tangible Assets	348,390	296,519	285,577	222,762	217,985
Net Earnings Per Share (RM)	0.0639	0.1299	0.1144	0.06	0.06
Net Assets Per Share (RM)	1.48	1.41	1.33	1.24	1.45



Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present for the first time as Chairman of Gadang Holdings Berhad ("Gadang" or "the Company"), the Annual Report and Financial Statements of the Company and its group of companies ("the Group") for the financial year ended 31st May 2008.

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

Sri Ixora Apartments in Shah Alam

OVERVIEW

The world economy and the financial markets are facing numerous challenges and uncertainties. The worldwide surge in prices of oil and other commodities coupled with the instability in the financial sector in the United States has affected not only US economy but also causing global economy to face with mounting inflationary pressure. The Malaysian economy was not spared as well.

On the local front, Malaysian economy expanded by 6.3% in 2007 with construction sector growing at 4.6% as against 5.8% in 2006 with construction sector at -0.5%. The government has projected the economy to grow at 5.7% this year with a lower growth rate of 4% for construction sector.

Under such uncertain and competitive environment, the Group recorded a less favourable set of results during the financial year under review as compared to last financial year mainly due to the sharp rise in construction material prices and intense competition in the market.

FINANCIAL REVIEW

For the financial year under review, the Group posted a decline in its performance with its profit after taxation decreased by 47% to RM7.62 million from RM14.46 million and its revenue decreased by 24% to RM171.87 million from RM225.96 million recorded in the previous financial year.

The decline in the current year performance was mainly attributed to lower profit contributed by the Engineering and Construction Division as well as lower turnover recorded in the Engineering and Construction and Property Divisions.

In the financial year under review, the Group's shareholders' fund increased by 4% to RM170.24 million from RM164.08 million in previous year. The net assets per share also increased to RM1.48 as compared to RM1.41 previously. The issued and paid up share capital of the Company was increased by RM1.30 million to RM117.96 million from RM116.66 million previously.

DIVIDEND

The Board of Directors is pleased to recommend a first and final dividend of 2.5 sen per share less income tax 26% (2007: 2.5 sen per share less income tax 27%) for the approval of shareholders at the forthcoming Annual General Meeting. The total dividend to be paid out for the financial year ended 31 May 2008, net of tax is RM2.18 million (2007: RM2.15 million).

CORPORATE DEVELOPMENTS

September 2007

Gadang Land Sdn Bhd, the Company's wholly-owned subsidiary, acquired 2 ordinary shares of RM1 each representing 100% of the issued and paid-up share capital of Elegance Sonata Sdn Bhd ("ESSB") for a cash consideration of RM2.

ESSB is the registered owner of two (2) parcels of vacant land measuring approximately 3.9075 hectares located off Tanjung Bungah, Penang.

Taman Pinggiran Pelangi, Rawang

CORPORATE DEVELOPMENTS (Cont'd)

December 2007

The Company completed the transfer of the listing of and quotation for the entire issued and paid-up share capital and the irredeemable convertible unsecured loan stocks 2003/2008 of the Company to the Main Board of Bursa Malaysia Securities Berhad, under the "Construction" sector on 24 December 2007.

April 2008

Asian Utilities Pte Ltd ("AUPL"), a 100% owned subsidiary of Regional Utilities Sdn Bhd, had entered into a Conditional Shares Transfer and Shares Subscription Agreement on 22 April 2006 with PT Lumbung Sumber Rejeki ("LSR") and PT Kairos Tata Chemical ("KTC") to acquire 65% equity interest in PT Sarana Catur Tirtakelola ("SCTK") for a purchase consideration of Indonesia Rupiah (Rp) 6.5 billion (approximately RM2.8 million).

On 31 January 2008, AUPL further entered into a Supplemental Agreement with LSR and KTC for the purposes of completing the share transfer and share subscription.

The acquisition of SCTK was completed on 22 April 2008 and SCTK became an indirect subsidiary of the Company. The acquisition of 10% equity interest in STR is pending the approval of the regulatory authority.

AUPL had entered into a Sale and Purchase of Shares Agreement on 10 July 2007 to acquire 85% equity interest in PT Hanarida Tirta Birawa ("HTB"), a company incorporated in Indonesia. The acquisition of HTB was completed on 24 April 2008 and HTB became an indirect subsidiary of the Company.

CORPORATE GOVERNANCE

The Board recognizes the paramount importance of good corporate governance to the success of the Group. The Board strives to ensure that a high standard of corporate governance is being practiced throughout the Group as the Board believes that it is the platform for sustainable enhancement of shareholders' value and in ensuring continuous and sustainable growth for the interest of all its stakeholders.

A detailed Statement of Corporate Governance can be found on pages 21 to 24 of this Annual Report.

OUTLOOK AND PROSPECTS

The Group's prospects for the coming year are set against an increasingly challenging global and domestic outlook. Global growth is expected to moderate with the continued weaknesses in the financial market and high inflationary pressure. Locally, escalating oil and construction material prices coupled with weak market sentiment will have an impact to the prospects of the Group.

The Group will remain resilient against such challenges and will continue to put in place various mitigating measures to reduce the impact of rising prices of construction materials on the operating margins. Moving forward, the Group will focus to expand its participation in construction projects under the Ninth Malaysia Plan.

With a committed management team and the resilience of the Group, we are confident that we can weather the challenges ahead and the Group will strive to turn in positive financial performance.

Taman Seri Bukit Segambut, Segambut

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to thank our directors, management and all employees of the Group for their strong commitment and contribution towards the continued success of our Group. I would also like to take this opportunity to thank shareholders, associates, clients, bankers, contractors and suppliers for their continuing support to the Group.

The Board and I also wish to record our sincere appreciation to Dato' Kamaruddin Bin Abdul Ghani who retired from the Board on 22 November 2007. We also welcome Mr Boey Tak Kong who was appointed as non-executive Director on 3 December 2007. I am confident he will contribute his wealth of experience to the Board and the Group. I also take this opportunity to congratulate our Managing Director cum Chief Executive Officer, Tan Sri Dato' Kok Onn on being conferred the Panglima Setia Mahkota (PSM), which carries the title "Tan Sri" by the Yang Di-Pertuan Agung on 7 June 2008.

Datuk Wan Lokman Bin Dato' Wan Ibrahim
Chairman
17 October 2008

managing director
cum chief executive officer's review of operations

Dear Shareholders

The increasing uncertainties faced by the construction and property development sectors pose significant challenges to the Group. These sectors face intense competition with margins being affected by the escalation of prices for construction materials which to a great extent has affected the profitability and performance of the Group.

Under such difficult economic climate, the Group recorded a less favourable set of results for the financial year ended 31 May 2008 as compared to previous financial year.

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

Construction of Package 1 of the Kemuning - Shah Alam Highway in Shah Alam

ENGINEERING AND CONSTRUCTION

For the financial year under review the Engineering and Construction Division contributed RM111.19 million and RM0.76 million to the Group's turnover and profit after tax respectively as compared to RM158.13 million and RM6.84 million of turnover and profit after tax respectively in the previous financial year. The decline in performance of the Division was mainly due to escalation of construction materials prices and lower turnover.

For the year under review, the Division successfully completed several contracts with value of approximately RM210 million, which among others were the construction of commercial complex comprising offices, shops and service apartments at Mines Resort City, Sungai Besi, Selangor Darul Ehsan; Earthworks and drainage works at Lebuh Raya Pantai Timur Fasa 2, Terengganu Darul Iman; Mandy Court in Segambut, Kuala Lumpur and Sri Ixora Apartments in Shah Alam, Selangor Darul Ehsan.

The current order book of the Division stands at more than RM630 million. Major contracts in progress include the Construction of Package 1 of the Kemuning-Shah Alam Highway in Shah Alam, Selangor Darul Ehsan valued at RM278.88 million and the Rehabilitation Hospital Project in Cheras, Kuala Lumpur valued at RM341.90 million.

Datapuri Sdn Bhd, which is involved in Mechanical & Electrical ("M&E") works, has been accorded with the Class A Electrical Contractor registration with Suruhanjaya Tenaga Malaysia and a Grade 7 registration with CIDB, allowing the company to undertake jobs of any contract value. Datapuri aims to become a 'Total Solutions Provider' and a leading turnkey contractor in the field of M&E engineering services and, currently has an order book of over RM24 million.

PROPERTY DEVELOPMENT

The property market has been challenging as developers not only have to cope with weak market sentiment, but also facing severe margin compression, brought on by mounting building material costs and inflationary pressures. The market sentiment is perceived as soft, with many adopting the wait-and-see attitude.

The Property Division posted a lower revenue of RM48.53 million for the year under review as compared to RM60.34 million recorded in the preceding year. Accordingly, the profit after tax was reduced to RM8.19 million for the year under review as compared to RM9.97 million recorded in the preceding year.

The main contributor to the Division during the year under review is the Sri Ixora project in Shah Alam, Selangor Darul Ehsan. Despite the soft property market, Sri Ixora project had received an overwhelming response for its 600 units of medium cost apartments and 2 units of shops with a gross development value ("GDV") of RM66.30 million. The project has been completed and handed over with vacant possession in June 2008.

The major on-going projects are:

- M Avenue, Segambut, Kuala Lumpur – A commercial development comprising 62 blocks of 3 & 4 storey retail and office suite with a GDV of RM54 million. This development is located in Segambut, Kuala Lumpur and is scheduled to be completed in the 1st quarter of 2009. Sales of over 76% had been achieved.

- Taman Seri Bukit Segambut, Segambut, Kuala Lumpur – A residential development comprising 54 units 3-storey link houses with a GDV of RM40 million, was launched in July 2007. These exclusive and spacious homes are located within the vicinity of Kepong, Desa Park City, Sunway SPK and Mont Kiara. To date, sales of over 48% had been achieved.

Water Treatment Plants of PT Hanarida Tirta Birawa and PT Taman Tirta Sidoarjo at Sidoarjo, Indonesia

PROPERTY DEVELOPMENT (Cont'd)

- Taman Pinggiran Pelangi, Rawang, Selangor Darul Ehsan - A residential development with a GDV of RM64 million comprising a total of 423 units of landed residential terrace 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. Phase 1 comprising 84 units of single-storey terrace houses has recorded sales of 100% and is scheduled to handover before end of this year. Phase 2 comprising 82 units of single-storey terrace houses has achieved sales of 85%.

  To further expand property development activities, the Group is actively sourcing for strategic land banks and joint venture projects in Penang, Johor and Klang Valley.

MANUFACTURING AND TRADING

The Manufacturing and Trading Division is spearheaded by GLP Resources (M) Sdn Bhd ("GLPR"). The Division has expanded its business activities into the oil and gas industry via strategic alliance to promote the requisite products and services in order to turnaround its performance.

The Division recorded an improved set of results with a higher revenue of RM6.26 million and a lower loss of RM1.03 million for the financial year under review as compared to a turnover of RM3.67 million and a loss of RM1.47 million in the previous financial year.

WATER CONCESSION

The Group via Asian Utilities Pte Ltd, had completed the acquisition of 65% equity interest in PT Sarana Catur Tirtakelola ("SCTK") and 85% equity interest in PT Hanarida Tirta Birawa ("HTB") during the financial year under review.

SCTK has a concession to extract 2100 lit/sec of raw water from Ciujung River for a period of 30 years in Kabupaten Serang, Indonesia.

HTB owns and operates a water treatment plant with a 20 years bulk treated water supply concession of 500 lit/sec in Kabupaten Sidoarjo, Indonesia.

The acquisitions of the abovementioned companies will expand the Division's presence and drive the future growth of the Group in Indonesia. Thus, the Division is expected to increase contribution significantly to the Group in the near future.

IN APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation for the contribution, commitment and dedication from management and staff.

Special thanks must go to our shareholders, customers, authorities, business associates and financiers for their invaluable support and unwavering confidence in the Group over the years. We look forward to your continued cooperation and support in the years ahead.

Tan Sri Dato' Kok Onn
Managing Director cum Chief Executive Officer
17 October 2008

Perspective View of Rehabilitation Hospital in Cheras, Kuala Lumpur

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 also meets the requirements of Section 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 convened six (6) meetings during the financial year ended 31 May 2008. 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 (appointed on 3 December 2007)	3*	3
Dato' Kamaruddin Bin Abdul Ghani (ceased on 22 November 2007)	3*	3
Ling Hock Hing (resigned on 1 October 2007)	2*	2

Note:
* Reflects the number of meetings held during the time the Directors held office as Audit Committee members.

The Internal Audit Manager and the Finance Manager were also invited to attend the audit committee meetings. The external auditors were also invited to attend two of these meetings.

SUMMARY OF ACTIVITIES

During the financial year ended 31 May 2008, the Audit Committee carried out the following activities:

1. **Financial Results**

   a. Reviewed the financial statements of the Group on a quarterly basis and the draft announcement to Bursa Securities before recommending them to the Board for their consideration and approval.

   b. Reviewed the annual audited financial statements of the Company and the Group with the external auditors prior to recommending the same to the Board for approval.

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.

3. **Risk Management**

   Reviewed the progress of the risk management function on the identification and monitoring of key risks and the controls and action plans in managing these risks.

4. **External Audit**

   Reviewed with the external auditors the results of the annual audit, the audit report and the management letter, including management response.

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.

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 Group has an in-house Internal Audit ("IA") function which reports directly to the Audit Commitee. The costs incurred for maintaining the IA function for the year under review was approximately RM176,000 comprising mainly salaries and benefits and travelling expenses. The IA is 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 internal audit department 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 weakness together with recommendations for improvement. Follow-up audits were also made upon the findings and recommendations. These findings and recommendations were summarized and reported at the quarterly Audit Committee meetings for deliberations and action.

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

Board composition and Balance

The Board currently comprises seven members; four (4) of whom are Executive Directors and three (3) are Independent Non-Executive Directors, thereby fulfilling the one-third (1/3) requirement. A brief profile of each Director is provided on pages 5 to 8 of the Annual Report.

The Directors, with their different backgrounds and specializations, collectively bring with them a wide range of experience and expertise particularly in the core businesses of the Group. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies. The Independent Non-Executive Directors will serve to bring objective and independent judgement to the decision making of the Board and provide a capable check and balance for the Executive Directors.

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 Executive Directors who have 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 efficient and effective management of the business and operations of the Company.

Board Meetings

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.

During the financial year ended 31 May 2008, six (6) Board meetings were held and the attendance of Board members is as follows:-

Directors	No. of Meetings Attended	Percentage
Dato' Kamaruddin Bin Abdul Ghani (retired on 22 November 2007)	3 out of 3	100%
Datuk Wan Lokman Bin Dato' Wan Ibrahim	5 out of 6	83%
Tan Sri Dato' Kok Onn	6 out of 6	100%
Mr Koay Teng Keong	6 out of 6	100%
Encik Adam Bin Bachek	6 out of 6	100%
Mr Ling Hock Hing	6 out of 6	100%
Mr Chan Ah Kam @ Chan Ah Thoong	5 out of 6	83%
Mr Boey Tak Kong (appointed on 3 December 2007)	3 out of 3	100%

Supply of Information

All Directors are provided with an agenda and a set of Board papers prior to the Board meeting. 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.

The Directors are also 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 regularly updated by the Company Secretary on new statutory and regulatory requirements relating to the duties and responsibilities of Directors.

The Directors have access to all information within the Company whether as full Board or in their individual capacity, in furtherance of their duties. The Directors also have direct access to the Senior Management and the 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 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 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. To assist shareholders in their decision, sufficient information on each Director standing for re-election is appended to the Notice of the AGM.

Directors' Training

All the Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Securities. The Directors will continue to attend 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.

Some of the trainings attended by the Directors during the financial year under review conducted by the authorities and relevant bodies as well as in-house training were as follows:-

- Driving Operational Excellence Process
- 2007 National Conference on Internal Auditing – a defining moment from good to great
- Blue Ocean Leadership Program

The Company will on a continuous basis, evaluate and determine the training needs of the Directors.

Board Committees

The Board of Directors has delegated certain responsibilities to the following Board Committees. These committees are formed in order to enhance business and operational efficiency as well as efficacy. These Committees have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibilities for the final decision on all matters, however, lie with the entire Board.

a) Audit Committee

The Audit Committee Report is set out on pages 18 to 20 of the Annual Report.

b) Nomination Committee

The Nomination Committee consists of the following members:-

Datuk Wan Lokman Bin Dato' Wan Ibrahim
(Chairman/Independent Non-Executive Director)
Encik Adam Bin Bachek
(Independent Non-Executive Director)
Mr Boey Tak Kong
(Independent Non-Executive Director)

The primary functions of the Nomination Committee are as follows:-

- Propose new nominees for the Board and review annually its required mix of skills and experience and other qualities, including core competencies of all Directors, to ensure the effectiveness of the Board as a whole.
- Recommend candidates to the Board for both directorships and to fill seats on board committee.
- Assess the effectiveness of the Board as a whole and 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.

c) Remuneration Committee

The Remuneration Committee consists of the following members:-

Encik Adam Bin Bachek
(Chairman/Independent Non-Executive Director)
Datuk Wan Lokman Bin Dato' Wan Ibrahim
(Independent Non-Executive Director)
Tan Sri Dato' Kok Onn
(Executive Director)

The Remuneration Committee is responsible for reviewing the policy and making recommendations to the Board on remuneration package and benefits annually as extended to the executive directors. The Remuneration Committee also recommends the framework of fees payable to the non-executive directors. Information prepared by independent consultants and survey data on the remuneration practices of comparable companies are taken into consideration in determining the remuneration packages.

The Executive Directors will not participate in decisions making relating to their own remuneration. The Non-Executive Directors' remuneration will be a matter to be decided by the Board as a whole with the individual Directors concerned abstaining from deliberation and voting on decision in respect of his individual remuneration.

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

d) Executive Committee

The Executive Committee (Exco) consists of the executive directors of the Board.

The Executive Committee is responsible for:

- Reviewing and monitoring the financial and performances of the Group's operating divisions;
- Reviewing the business plans and budgets of the operating companies for the consideration of the Board;
- Reviewing and establishing the operational policies; and
- Conducting any other related and pertinent matters as may arise

The Executive Committee meets bi-monthly.

e) Risk Management Committee

The Risk Management Committee consists of the executive directors of the Board.

The objectives of this committee are to ensure that a risk management structure is embedded throughout the group and the risk management structure is consistently adopted throughout the group within the parameters established by the Board. Its key functions are to advise the Board and make recommendations with respect to the adequacy of the group's approach to identifying and managing risks.

B. DIRECTORS' REMUNERATION

Level and Make-up of Remuneration

The policy practiced on Directors' remuneration by the 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. 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. Non-executive Directors do not receive any performance related remuneration.

Details Directors' Remuneration

The aggregate Directors' remuneration paid or payable to all Directors of the Company categorized into appropriate components for the financial year ended 31 May 2008 are as follows:-

Total Remuneration	Executive Directors RM	Non-Executive Directors RM	Total RM
Salary and other emoluments	1,622,660	-	1,622,660
Benefits-in-kind	25,800		25,800
Fees	-	74,000	74,000
Total	**1,648,460**	**74,000**	**1,722,460**

The number of Directors whose total remuneration during the financial year fall within the following bands is as follows:-

Range of Remuneration	No. of Executive Director	No. of Non-Executive Director	Total
Below RM50,000	-	3	3
RM200,001 to RM250,000	-	-	-
RM300,001 to RM350,000	2	-	2
RM400,001 to RM450,000	1	-	1
RM500,001 to RM550,000	1	-	1
Total	**4**	**3**	**7**

C. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

Investor Relations and Shareholders Communication

The Board acknowledges the importance of communication with 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 conducts investors briefings with financial analysts, institutional shareholders and fund managers 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.

The Board has identified Encik Adam Bin Bachek as Senior Independent Non-Executive Director, to whom any queries and concerns with regards to the Company, may be conveyed.

Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. Shareholders are notified of the AGM and are provided with a copy of the Company's Annual Report before the meeting. Those who are unable to attend are allowed to appoint proxies to attend and vote on their behalf.

At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Additionally, a press conference is normally held immediately after the AGM 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 Executive Directors are also present at the press conference.

D. ACCOUNTABILITY AND AUDIT

Financing Reporting

The Board aims to provide a balance and understandable assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of results to shareholders. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Directors' responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their profit or loss and cashflows for the period then ended.

In preparing the financial statements, the Directors have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors have also ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been followed.

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.

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 Function. The Internal Audit Function 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 25 of the Annual Report.

Relationship with External Auditors

The Board maintains a formal and transparent relationship with the external auditors in seeking professional advice and ensuring compliance with the relevant accounting standards. The role of the Audit Committee in relation to the external auditors is set out on pages 18 to 20 of the Annual Report.

BOARD RESPONSIBILITY

The Board of Directors ("the Board") recognizes the importance of sound 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 has been continually adopting the Enterprise Risk Management framework implemented in August 2004. The Enterprise Risk Management framework is designed as an ongoing process to identify, evaluate, manage and monitor significant risks the Group faces in its businesses and operations. Management is responsible to identify and evaluate the Key Risks and to formulate action plans to manage the Key Risks. 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 action plans to manage these risks.

INTERNAL AUDIT

The Group has an Internal Audit Function to 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 organisational 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 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 review the business plans each business unit submits 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 Executive 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 provides 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 of corporate social responsibility

The Company and its subsidiaries are 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.

WORKPLACE

The Group believes that human capital development is very important to ensure that its employees have the right and relevant skills and knowledge in ensuring business sustainability and growth.

Continuous training and development programmes were carried out to equip the employees with relevant skills and knowledge. The Group also emphasized on the health and safety aspects at the workplace. Health talk on critical diseases and training on first aid procedures were conducted 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. Long Service Awards are awarded to employees serving more than 15 years of service. During the Group's 2008 Chinese New Year Dinner at the Prince Hotel, Kuala Lumpur, 9 employees who have attained more than 15 years of service with the Group were presented with the Long Service Award.

The Gadang Sports Club was established by the Company with the aim to provide and promote sports and leisure activities among its members. The Sports Club actively organizes sports and leisure activities for its members throughout the year. During the year, the Sports Club organised sports activities like bowling, badminton and yoga to promote healthy lifestyle among its members. The Sports Club also sponsored a local trip to Pulau Pangkor for its members and their families. Encouraging participation in these activities underline the enthusiasm and a sense of belonging and unity among the staff. To promote and cultivate relationship among members and families, the Sports Club had also organized a number of gatherings and outings.

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 organized social visits and made donations to homes and societies and contributed to charity fund raising activities. The Group also participated as sponsors and made 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 potential adverse environmental impact from 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-sustaining and responsible working practices in energy saving, reduce usage and waste, promote re-use and recycling, avoid damage to the environment and prevent pollution.

- **Share Buybacks**

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

- **Options, Warrants or Convertible Securities**

  No options, warrants or convertible securities were issued by the Company during the financial year.

- **Imposition of Sanctions/Penalties**

  There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors, or management by any regulatory bodies during the financial year.

- **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 22 November 2007, 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(1)(b) of Bursa Securities Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended 31 May 2008 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 a brother of Tan Sri Dato' Kok Onn ("TSKO") who is the Managing Director cum Chief Executive Officer and major shareholder of Gadang	Provision of sub-contract works	Gadang Group	517
Kok Thiam Fook	Kok Thiam Fook is a cousin of TSKO.	Provision of sub-contract works	Gadang Group	115
KNL Jaya Construction Sdn Bhd ("KNL")	KNL is 35% owned by Madam Lee Koi Seong, the spouse of Mr Kok Kiw who is a brother of TSKO.	Provision of sub-contract works	Gadang Group	1,979

Name of Related Party	Relationship	Nature of Transactions	The Company	Aggregate Value RM'000
Magnibiz Sdn Bhd ("Magnibiz")	Magnibiz is 50% owned by Mr Chan Kim Fatt, the brother of Puan Sri Datin Chan Ngan Thai who is a major shareholder of Gadang and the brother-in-law of TSKO.	Provision of sub-contract works	Gadang Group	235
Datapuri Sdn Bhd ("DPSB")	DPSB is a 51% owned subsidiary of Gadang and 49% owned by Exclusive Acres Sdn Bhd ("EASB"). Liew Swee Kong and Chan Kim Lian who are directors and shareholders of EASB are the nephew and sister-in-law of TSKO.	• Office Rental	Gadang Properties Sdn Bhd	34
		• Provision of mechanical & engineering subcontract works by DPSB	Gadang Group	3,983
		• Provision of management services by Gadang	Gadang	215
		• Financial Assistance	Gadang Group	5,000
GLP Resources (M) Sdn Bhd ("GLPRSB") and its subsidiaries	GLPRSB is a 70% owned subsidiary of Gadang and 30% owned by Premierex Sdn Bhd. TSKO is also a director and major shareholder of Premierex Sdn Bhd.	• Purchase of protective and decorative paints from GLPRSB and its subsidiaries	Gadang Group	113
		• Provision of management services by Gadang	Gadang	134
		• Financial Assistance	Gadang Group	1,433
Globe Leigh's Paints (Shanghai) Co. Ltd ("GLPSCL")	GLPSCL, a company incorporated in Shanghai, China is 70% owned by TSKO.	Sale of protective and decorative paints to GLPSCL.	GLP Manufacturing (M) Sdn Bhd	94

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2008.

PRINCIPAL ACTIVITIES

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 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.

RESULTS

	Group RM	Company RM
Profit/(Loss) for the year	7,620,299	(288,533)
Attributable to:		
Equity holders of the Company	7,516,125	(288,533)
Minority interests	104,174	-
	7,620,299	(288,533)

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

The amount of dividends paid by the Company since 31 May 2007 were as follows:

	RM
In respect of the financial year ended 31 May 2007 as reported in the directors' report of that year:	
Final dividend of 2.5% less 27% taxation, on 117,963,037 ordinary shares, approved on 22 November 2007 and paid on 27 December 2007	2,152,825

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 May 2008, of 2.5% less 26% taxation amounting to a dividend payable of RM2,182,316 (1.85 sen net per ordinary share) based on the paid-up share capital as at 31 May 2008 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 May 2009.

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:

Tan Sri Dato' Kok Onn	
Koay Teng Keong	
Datuk Wan Lokman bin Dato' Wan Ibrahim	
Adam bin Bachek	
Ling Hock Hing	
Chan Ah Kam @ Chan Ah Thoong	
Boey Tak Kong	(Appointed on 3 December 2007)
Dato' Kamaruddin bin Abdul Ghani	(Retired on 22 November 2007)

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, other than those arising from the share options granted under the Employee Share Options Scheme.

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 9 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 37 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 and options over shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			
	1.6.2007/ Date of appointment	Acquired	Sold	31.5.2008
Gadang Holdings Berhad				
Direct Interest				
Tan Sri Dato' Kok Onn	2,650,000	720,000	-	3,370,000
Koay Teng Keong	21,000	258,000	-	279,000
Ling Hock Hing	52,000	258,000	-	310,000
Chan Ah Kam @ Chan Ah Thoong	21,000	258,000	100,000	179,000
Boey Tak Kong	201,000	-	-	201,000
Indirect Interest				
Tan Sri Dato' Kok Onn (1)	33,867,200	137,900	-	34,005,100
Koay Teng Keong (2)	55,000	-	-	55,000
Chan Ah Kam @ Chan Ah Thoong (2)	5,000	-	-	5,000

1. Indirect interest by virtue of shares held by companies in which the director is interested.
2. Indirect interest by virtue of shares held by spouse.

DIRECTORS' INTERESTS (Cont'd)

	Number of Options over Ordinary Shares of RM1 Each			
	1.6.2007	Exercised	Lapsed on Expiry	31.5.2008
Gadang Holdings Berhad				
Koay Teng Keong	307,000	(258,000)	(49,000)	-
Ling Hock Hing	307,000	(258,000)	(49,000)	-
Chan Ah Kam @ Chan Ah Thoong	307,000	(258,000)	(49,000)	-

Tan Sri Dato' Kok Onn by virtue of his deemed interest in the 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 in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM116,659,037 to RM117,963,037 by way of the issuance of 1,304,000 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Options Scheme at an exercise price of RM1.00 per ordinary share.

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

EMPLOYEE SHARE OPTIONS SCHEME

The Gadang Holdings Berhad's Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 8 May 2002. The ESOS was implemented on 1 November 2002 and had expired on 31 October 2007.

Information with respect to the number of options granted under the ESOS is as follows:

	Number of Share Options	
	2008	2007
At 1 June 2007/2006	2,707,000	2,927,000
Cancelled/Lapsed	(1,403,000)	(175,000)
Exercised	(1,304,000)	(45,000)
At 31 May	-	2,707,000

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets 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; and

OTHER STATUTORY INFORMATION (Cont'd)

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps: (Cont'd)

  (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 of the Group and of the Company 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.

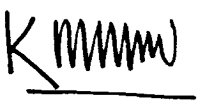
SIGNIFICANT EVENTS

The significant events during the financial year are disclosed in Note 41 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 September 2008.



Tan Sri Dato' Kok Onn

Koay Teng Keong

statement by directors

pursuant to section 169(15) of the companies act, 1965

We, Tan Sri Dato' Kok Onn and Koay Teng Keong, 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 37 to 97 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia and so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 September 2008.

Tan Sri Dato' Kok Onn

Koay Teng Keong

statutory declaration

pursuant to section 169(16) of the companies act, 1965

I, Ling Hock Hing, being the director primarily responsible for the financial management of Gadang Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 37 to 97 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 Ling Hock Hing
at Kuala Lumpur in the Federal Territory
on 18 September 2008

Before me,

PESURUHJAYA SUMPAH
No. W 315
Nama: SOH AH KAU
MALAYSIA

SOH AH KAU, AMN
PESURUHJAYA SUMPAH
28, Jalan Berami
50200 Kuala Lumpur W.P.
Tel: 03-2141 2078

Ling Hock Hing

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Gadang Holdings Berhad, which comprise the balance sheets as at 31 May 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements 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 37 to 97.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 2008 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 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 accounts 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.

(c) We are satisfied that the accounts 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 accounts 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

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

Lee Seng Huat
No. 2518/12/09(J)
Chartered Accountant

Kuala Lumpur, Malaysia
18 September 2008

income statements
for the year ended 31 May 2008

	Note	Group 2008 RM	Group 2007 RM Restated	Company 2008 RM	Company 2007 RM
Revenue	4	171,873,161	225,955,100	4,743,501	5,496,000
Cost of sales	5	(140,710,369)	(182,024,857)	–	–
Gross profit		31,162,792	43,930,243	4,743,501	5,496,000
Other income		3,747,590	2,396,471	243,056	425,489
Administration expenses		(8,344,074)	(7,819,018)	(2,096,302)	(2,082,341)
Other expenses		(10,692,808)	(12,343,689)	(1,234,187)	(920,207)
Finance costs	6	(4,466,463)	(4,161,994)	(1,634,275)	(1,765,873)
Share of results of associates		5,780	(25)	–	–
Profit before tax	7	11,412,817	22,001,988	21,793	1,153,068
Income tax expense	10	(3,792,518)	(7,540,529)	(310,326)	(522,267)
Profit/(Loss) for the year		7,620,299	14,461,459	(288,533)	630,801
Attributable to:					
Equity holders of the Company		7,516,125	14,201,712	(288,533)	630,801
Minority interests		104,174	259,747	–	–
		7,620,299	14,461,459	(288,533)	630,801
Earnings per share attributable to equity holders of the Company (sen):					
- Basic	11	6.39	12.99		
- Diluted	11	6.38	12.98		
Net dividend per share (sen)	12	1.82	1.44	1.82	1.44

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

balance sheets
as at 31 May 2008

	Note	Group 2008 RM	Group 2007 RM Restated	Company 2008 RM	Company 2007 RM
ASSETS					
Non-current assets					
Property, plant and equipment	14	16,305,080	15,992,747	47,214	49,181
Investment properties	15	222,800	222,800	–	–
Prepaid lease payments	16	2,553,747	2,605,403	–	–
Concession assets	17	34,604,074	8,743,955	–	–
Investments in subsidiaries	18	–	–	85,157,847	85,157,847
Investments in associates	19	305,780	–	–	–
Other investments	20	226,000	402,200	–	–
Goodwill on consolidation	21	16,972,393	16,972,393	–	–
Deferred tax assets	22	1,419,183	1,585,194	–	–
		72,609,057	46,524,692	85,205,061	85,207,028
Current assets					
Property development costs	23	95,443,767	85,481,500	–	–
Amounts due from customers on contracts	24	31,578,879	24,063,065	–	–
Inventories	25	14,331,080	16,238,054	–	–
Trade and other receivables	26	133,244,631	120,694,456	130,225	122,523
Amounts due from subsidiaries	27	–	–	89,893,158	80,034,268
Tax recoverable		1,408,833	1,573,778	642,047	585,893
Fixed deposits	28	4,655,686	7,920,709	–	1,640,000
Cash and bank balances	28	8,443,656	5,791,578	121,576	97,549
		289,106,532	261,763,140	90,787,006	82,480,233
Assets held for sale	29	5,065,620	6,788,500	–	–
		294,172,152	268,551,640	90,787,006	82,480,233
TOTAL ASSETS		366,781,209	315,076,332	175,992,067	167,687,261

	Note	Group 2008 RM	Group 2007 RM Restated	Company 2008 RM	Company 2007 RM
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	30	117,963,037	116,659,037	117,963,037	116,659,037
Reserves	31	52,213,374	47,352,337	25,972,679	28,417,129
ICULS	32	66,285	65,119	66,285	65,119
		170,242,696	164,076,493	144,002,001	145,141,285
Minority interests		4,583,718	913,631	–	–
Total equity		174,826,414	164,990,124	144,002,001	145,141,285
Non-current liabilities					
ICULS	32	–	654	–	654
Deferred tax liabilities	22	7,909,657	6,839,168	–	–
Bank borrowings	33	29,167,305	18,134,195	11,357,424	14,985,596
Defined benefit obligations	34	228,893	197,346	–	–
		37,305,855	25,171,363	11,357,424	14,986,250
Current liabilities					
Trade and other payables	35	99,942,383	91,527,559	522,794	189,391
Provision for liabilities	36	–	447,788	–	–
Amounts due to customers on contracts	24	1,700,874	3,706,107	–	–
Amounts due to subsidiaries	27	–	–	5,063,349	3,645,225
Bank borrowings	33	50,504,385	25,356,419	15,045,784	3,723,883
ICULS	32	715	1,227	715	1,227
Provision for taxation		2,500,583	3,875,745	–	–
		154,648,940	124,914,845	20,632,642	7,559,726
Total liabilities		191,954,795	150,086,208	31,990,066	22,545,976
TOTAL EQUITY AND LIABILITIES		366,781,209	315,076,332	175,992,067	167,687,261

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

consolidated statement of changes in equity

for the year ended 31 May 2008

	Share Capital RM	ICULS RM	Capital Reserve RM	Share Premium RM	Foreign Exchange Reserve RM	Distributable Retained Profits RM	Total RM	Minority Interests RM	Total Equity RM
	← Attributable to equity holders of the Company		← Non-Distributable		→		→		
At 1 June 2006									
As previously stated	106,014,037	63,255	1,346,681	8,994,909	(193,804)	24,462,134	140,687,212	461,194	141,148,406
Prior year adjustments (Note 43)	–	–	–	–	–	265,095	265,095	13,952	279,047
As restated	106,014,037	63,255	1,346,681	8,994,909	(193,804)	24,727,229	140,952,307	475,146	141,427,453
Acquisition of subsidiaries	–	–	–	–	–	–	–	5,063	5,063
Issue of shares in subsidiary	–	–	–	–	–	–	–	181,423	181,423
Dividend paid (Note 12)	–	–	–	–	–	(1,526,602)	(1,526,602)	–	(1,526,602)
Issuance pursuant to:									
– private placement	10,600,000	–	–	–	–	–	10,600,000	–	10,600,000
– ESOS	45,000	–	–	–	–	–	45,000	–	45,000
Net expense recognised directly in equity:									
– Foreign exchange differences	–	–	–	–	(23,558)	–	(23,558)	(7,748)	(31,306)
– Share issue expenses	–	–	–	(174,230)	–	–	(174,230)	–	(174,230)
	–	–	–	(174,230)	(23,558)	–	(197,788)	(7,748)	(205,536)
Profit for the year									
As previously stated	–	–	–	–	–	13,799,004	13,799,004	238,552	14,037,556
Prior year adjustments (Note 43)	–	–	–	–	–	402,708	402,708	21,195	423,903
As restated	–	–	–	–	–	14,201,712	14,201,712	259,747	14,461,459
Total recognised income and expense for the year	–	–	–	(174,230)	(23,558)	14,201,712	14,003,924	251,999	14,255,923
Equity component of ICULS	–	1,864	–	–	–	–	1,864	–	1,864
At 31 May 2007	116,659,037	65,119	1,346,681	8,820,679	(217,362)	37,402,339	164,076,493	913,631	164,990,124

	Share Capital RM	ICULS RM	Capital Reserve RM	Share Premium RM	Foreign Exchange Reserve RM	Distributable Retained Profits RM	Total RM	Minority Interests RM	Total Equity RM
	← Attributable to equity holders of the Company →								
			← Non-Distributable →						
At 1 June 2007									
As previously stated	116,659,037	65,119	1,346,681	8,820,679	(217,362)	36,734,536	163,408,690	878,484	164,287,174
Prior year adjustments (Note 43)	-	-	-	-	-	667,803	667,803	35,147	702,950
As restated	116,659,037	65,119	1,346,681	8,820,679	(217,362)	37,402,339	164,076,493	913,631	164,990,124
Acquisition of subsidiary	-	-	-	-	-	-	-	3,589,651	3,589,651
Dividend paid (Note 12)	-	-	-	-	-	(2,152,825)	(2,152,825)	-	(2,152,825)
Issuance pursuant to ESOS	1,304,000	-	-	-	-	-	1,304,000	-	1,304,000
Net expense recognised directly in equity:									
- Foreign exchange differences	-	-	-	-	(499,172)	-	(499,172)	(23,738)	(522,910)
- Share issue expenses	-	-	-	(3,091)	-	-	(3,091)	-	(3,091)
	-	-	-	(3,091)	(499,172)	-	(502,263)	(23,738)	(526,001)
Profit for the year	-	-	-	-	-	7,516,125	7,516,125	104,174	7,620,299
Total recognised income and expense for the year	-	-	-	(3,091)	(499,172)	7,516,125	7,013,862	80,436	7,094,298
Equity component of ICULS	-	1,166	-	-	-	-	1,166	-	1,166
At 31 May 2008	117,963,037	66,285	1,346,681	8,817,588	(716,534)	42,765,639	170,242,696	4,583,718	174,826,414

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

statement of changes in equity

for the year ended 31 May 2008

	Share Capital RM	ICULS RM	Non-Distributable Share Premium RM	Distributable Retained Profits RM	Total RM
At 1 June 2006	106,014,037	63,255	8,994,909	20,492,251	135,564,452
Issuance pursuant to:					
- private placement	10,600,000	-	-	-	10,600,000
- ESOS	45,000	-	-	-	45,000
Net expense recognised directly in equity:					
- share issue expenses	-	-	(174,230)	-	(174,230)
Profit for the year	-	-	-	630,801	630,801
Total recognised income and expense for the year	-	-	(174,230)	630,801	456,571
Equity component of ICULS	-	1,864	-	-	1,864
Dividend paid (Note 12)	-	-	-	(1,526,602)	(1,526,602)
At 31 May 2007	116,659,037	65,119	8,820,679	19,596,450	145,141,285
At 1 June 2007	116,659,037	65,119	8,820,679	19,596,450	145,141,285
Issuance pursuant to ESOS	1,304,000	-	-	-	1,304,000
Net expense recognised directly in equity:					
- share issue expenses	-	-	(3,091)	-	(3,091)
Loss for the year	-	-	-	(288,534)	(288,534)
Total recognised income and expense for the year	-	-	(3,091)	(288,534)	(291,625)
Equity component of ICULS	-	1,166	-	-	1,166
Dividend paid (Note 12)	-	-	-	(2,152,825)	(2,152,825)
At 31 May 2008	117,963,037	66,285	8,817,588	17,155,091	144,002,001

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

	Group		Company	
	2008 RM	2007 RM Restated	2008 RM	2007 RM
Cash flows from operating activities				
Profit before tax	11,412,817	22,001,988	21,793	1,153,068
Adjustments for:				
Depreciation of property, plant and equipment	1,669,522	1,837,171	7,823	7,633
Depreciation of concession assets	554,365	276,306	–	–
Amortisation of prepaid lease payments	51,656	51,657	–	–
Share of results of associate	(5,780)	25	–	–
Gain on disposal of property, plant and equipment	(2,856)	(1,009,624)	–	–
Write off of property, plant and equipment	–	190	–	–
Write off of concession assets	40,402	–	–	–
Gain on disposal of assets held for sale	(174,900)	–	–	–
Gain on disposal of marketable securities	(300,919)	–	–	–
Increase in liability for defined benefit plan	58,622	65,991	–	–
Provision for doubtful debts	630,000	2,100,000	–	–
Provision for liquidated damages	–	635,822	–	–
Reversal of impairment losses on other investments	–	(67,752)	–	–
Interest expense	4,466,463	4,161,994	1,634,275	1,765,873
Interest income	(382,763)	(499,879)	(253,932)	(466,904)
Dividend income	–	–	(880,500)	(1,850,000)
Operating profit before working capital changes	18,016,629	29,553,889	529,459	609,670
Changes in working capital:				
Property development costs	(9,962,267)	19,793,843	–	–
Amounts due to/from customers on contracts	(9,055,065)	3,371,390	–	–
Inventories	1,921,200	(13,194,670)	–	–
Receivables	(10,481,364)	(37,388,161)	(7,702)	96,150
Payables	2,585,692	(525,673)	333,403	(65,384)
Provisions	(447,788)	(188,034)	–	–
Defined benefit obligations	(14,478)	–	–	–
Intercompany balances	–	–	(8,440,766)	(4,957,892)
Cash (used in)/generated from operating activities	(7,437,441)	1,422,584	(7,585,606)	(4,317,456)
Tax (paid)/refunded	(5,903,782)	(9,123,888)	(137,551)	369,120
Net cash used in operating activities	(13,341,223)	(7,701,304)	(7,723,157)	(3,948,336)

for the year ended 31 May 2008

	Group		Company	
	2008 RM	2007 RM Restated	2008 RM	2007 RM
Cash flows from investing activities				
Net cash flow on acquisition of subsidiary (Note 18(a))	(6,317,879)	(3,841,174)	–	–
Acquisition of an associate	(300,000)	(25)	–	–
Acquisition of shares in subsidiary by minority shareholders	–	181,423	–	–
Purchase of property, plant and equipment	(1,020,008)	(764,681)	(5,856)	(395)
Purchase of concession assets	(2,831,325)	(51,478)	–	–
Proceeds from disposal of property, plant and equipment	47,487	1,545,020	–	–
Proceeds from disposal of assets held for sales	1,897,780	1,367,600	–	–
Proceeds from disposal of marketable securities	477,119	–	–	–
Interest received	382,763	499,879	253,932	466,904
Dividends received	–	–	651,570	1,350,500
Net cash (used in)/generated from investing activities	(7,664,063)	(1,063,436)	899,646	1,817,009
Cash flows from financing activities				
Payments to hire purchase payables	(750,731)	(1,204,488)	–	–
Interest paid	(4,467,126)	(4,166,148)	(1,634,275)	(1,765,873)
Proceeds from exercise of ESOS	1,304,000	45,000	1,304,000	45,000
Proceeds from issuance of shares through private placement	–	10,600,000	–	10,600,000
Share issue expenses	(3,091)	(174,230)	(3,091)	(174,230)
Drawdown of bank borrowings	36,627,505	971,080	13,586,910	818,080
Repayment of bank borrowings	(6,674,210)	(5,574,791)	(6,411,873)	(4,270,392)
Dividends paid	(2,152,825)	(1,526,602)	(2,152,825)	(1,526,602)
Net cash generated from/(used in) financing activities	23,883,522	(1,030,179)	4,688,846	3,725,983
Net increase/(decrease) in cash and cash equivalents	2,878,236	(9,794,919)	(2,134,665)	1,594,656
Translation differences	76,072	443,605	–	–
Cash and cash equivalents at beginning of year	(568,305)	8,783,009	1,737,549	142,893
Cash and cash equivalents at end of year (Note 28)	2,386,003	(568,305)	(397,116)	1,737,549

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

1. CORPORATE INFORMATION

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.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board 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 financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 September 2008.

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 the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

At the beginning of the current financial year, the Group and the Company had adopted the new and revised Financial Reporting Standards ("FRSs") which are mandatory for financial periods beginning on or after 1 October 2006 as described fully in Note 3.

In addition, the Group has changed the accounting policy on depreciation of concession assets from straight-line basis to unit of water revenue method as described in Note 3.

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

(b) 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 Company's 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 include the financial statements of the Company and its subsidiaries as at the balance sheet date.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(ii) Basis of Consolidation (Cont'd)

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.

(c) 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.

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.

(d) Jointly Controlled Entity

The Group has an interest in a joint venture which is a jointly controlled entity. 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 entity distributes or allocates 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 entity 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 entity 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 venture, 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 venture, the Group does not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) 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.

(f) 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 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:

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 and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

(g) 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:

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Concession assets (Cont'd)

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.

(h) 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.

(i) 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.

(j) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Construction Contracts (Cont'd)

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 shown as amount due to customers on contracts.

(k) 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.

(l) Provisions for Liabilities

Provisions for liabilities 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, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(m) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(i) Finance leases

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.

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(f).

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Leases (Cont'd)

(ii) Operating Leases and Prepaid Lease Payments

Operating leases are leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item. Operating lease expenses are recognised in the income statement as incurred over the period of the respective leases, which is normally 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 on entering into or acquiring a leasehold land are accounted as prepaid lease payments and are amortised on a straight-line basis over the lease term.

(n) Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets (other than deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

(o) Impairment of Non-Financial Assets

The carrying amounts of assets, other than 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 cash-generating 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Impairment of Non-Financial Assets (Cont'd)

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, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(p) 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, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 in the income statement, 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.

(q) 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 of the Group. 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, and 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)

(q) Employee Benefits (Cont'd)

(iii) Unfunded defined benefit plan

A foreign subsidiary 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) Equity compensation benefits

The Company's Employee Share Options Scheme ("ESOS") allows the Group's employees to acquire ordinary shares of the Company. No compensation cost or obligation is recognised on all share options which were granted and fully vested prior to 1 January 2006. When the options are exercised, equity is increased by the amount of the proceeds received. The ESOS had expired on 31 October 2007.

(r) 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) Development properties

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

(ii) Construction contracts

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

(iii) Rental and interest income

Rental and interest income are recognised on an accrual basis.

(iv) Sale of goods

Revenue from sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

(v) Dividend income

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

(vi) Management fee income

Management fee income is recognised on an accrual basis.

(vii) Water concession

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) 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, where that monetary item is denominated in either the functional currency of the reporting entity or the 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 Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Other non-current investments

Non-current investments other than investments in subsidiaries, associates and investment properties are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

(ii) Marketable securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

(iii) Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iv) Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(v) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(vi) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of acquiring another qualifying asset. For borrowings made specifically for the purpose of acquiring a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawdown from that borrowing facility.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Financial Instruments (Cont'd)

(vi) Interest-bearing borrowings (Cont'd)

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(vii) Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(u) Significant Accounting Estimates and Judgements

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 2008 was RM16,972,393 (2007: RM16,972,393). 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(u) Significant Accounting Estimates and Judgements (Cont'd)

(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.

(v) Projected water revenue of the concession

Significant estimation is involved in determining the projected water revenue of entire Concession Period of 30 years commencing 1 January 2005 to 31 December 2034. 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) Provision for doubtful debts

The Group makes provision for bad and doubtful debts based on an assessment of recoverability of trade and other receivables. Provisions are adopted to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful requires the use of judgements and estimates, where the expectation is different from the original estimate, such difference will impact the carrying values of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed. As at 31 May 2008, the provision for doubtful debts is RM2,763,449 (2007: RM2,133,449).

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS OF ADOPTING REVISED FRS

(a) Adoption of Revised FRSs

On 1 June 2007, the Group and the Company adopted the revised FRSs mandatory for financial periods beginning on or after 1 October 2006. The principal changes in accounting policies and their effects resulting from the adoption of the revised FRSs are discussed below:

(i) FRS 117 Leases

The adoption of FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. Prior to 1 June 2007, leasehold land held for own use was classified as property, plant and equipment was stated at cost or valuation less accumulated depreciation and impairment losses.

Upon the adoption of the revised FRS 117 at 1 June 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and certain comparative amounts as at 31 May 2007 have been restated as summarised in Note 43. There is no effect to the income statement of the current and previous financial years.

(ii) FRS 124 Related Party Disclosures

The adoption of FRS 124 does not have significant financial impact on the Group and the Company apart from extended disclosures as required by the standard.

(b) Concession assets

In the current financial year, concession assets previously included as part of the property, plant and equipment have been reclassified and presented on the face of the consolidated balance sheet as at 31 May 2008.

In addition, the Group has changed the accounting policy on depreciation of concession assets from straight-line basis to unit of water revenue method as described in Note 2(g). 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 reclassification of concession assets and change in accounting policy on depreciation of concession assets have been accounted for retrospectively and comparative amounts as at 31 May 2007 have been restated as summarised in Note 43. The Group's profit for the current financial year was increased by RM409,759 (2007: RM423,903) resulting from the decrease in depreciation charges of concession assets.

(c) Summary of effects of changes in accounting policies and adoption of revised FRSs on the current year's financial statements

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 May 2008 is higher or lower than it would have been had the previous policies been applied in the current year.

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS OF ADOPTING REVISED FRS (Cont'd)

(c) Summary of effects of changes in accounting policies and adoption of revised FRSs on the current year's financial statements (Cont'd)

Group	Increase/(Decrease) FRS 117 Note 3(a)(i) RM	Concession assets Note 3(b) RM	Total RM
At 31 May 2008			
Balance sheet			
Property, plant and equipment	(2,157,844)	(34,604,074)	(36,761,918)
Concession assets	-	35,013,833	35,013,833
Prepaid lease payments	2,553,747	-	2,553,747
Investment properties	(395,903)	-	(395,903)
Retained profits	-	389,271	389,271
Minority interests	-	20,488	20,488
Income statement			
Cost of sales	-	(409,759)	(409,759)
Profit before tax	-	409,759	409,759

(d) Standards and Interpretations issued but not effective

At the date of authorisation of these financial statements, the Group and the Company have not applied the following new and revised FRSs, amendments to FRSs and Issues Committee Interpretations ("IC Interpretations") that have been issued but are only effective for future financial periods:

<u>Effective for financial periods beginning on or after 1 January 2007</u>
FRS 6: Exploration for and Evaluation of Mineral Resources
Amendment to FRS 119: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

<u>Effective for financial periods beginning on or after 1 July 2007</u>
FRS 107: Cash Flow Statements
FRS 111: Construction Contracts
FRS 112: Income Taxes
FRS 118: Revenue
FRS 119: Employee Benefits
FRS 120: Accounting for Government Grants and Disclosure of Government Assistance
FRS 134: Interim Financial Reporting
FRS 137: Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7: Applying the Restatement Approach under FRS129 Financial Reporting in Hyperinflationary Economies
IC Interpretation 8: Scope of FRS 2

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS OF ADOPTING REVISED FRS (Cont'd)

(d) Standards and Interpretations issued but not effective (Cont'd)

Effective for financial periods beginning on or after 1 January 2010
FRS 139: Financial Instruments: Recognition and Measurement

The above FRSs, amendments to FRSs and IC Interpretations are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application.

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and other derivative financial instruments. The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

4. REVENUE

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Gross dividend from a subsidiary	–	–	880,500	1,850,000
Revenue from construction contracts	110,683,226	157,859,667	–	–
Rental income	507,771	273,465	–	–
Sale of development properties	48,531,175	60,342,739	–	–
Trading in protective and decorative coatings	6,263,404	3,669,416	–	–
Water concession	5,887,585	3,809,813	–	–
Management fees from subsidiaries	–	–	3,863,001	3,646,000
	171,873,161	225,955,100	4,743,501	5,496,000

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. FINANCE COSTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Interest expense on:				
- bank borrowings	4,289,407	3,623,508	1,632,890	1,764,529
- hire purchase contracts	111,547	192,746	–	–
- ICULS 2003/2008	1,342	1,344	1,342	1,344
- others	64,830	348,550	43	–
	4,467,126	4,166,148	1,634,275	1,765,873
Less : Interest expenses capitalised in qualifying assets:				
Costs of construction contracts (Note 24)	(663)	(4,154)	–	–
	4,466,463	4,161,994	1,634,275	1,765,873

7. PROFIT BEFORE TAX

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Profit before tax is stated after charging/(crediting):				
Auditors' remuneration:				
Auditors of the Company	104,100	100,100	20,000	20,000
Other auditors	61,429	35,370	–	–
Depreciation of property, plant and equipment	1,669,522	1,837,171	7,822	7,633
Depreciation of concession assets	554,365	276,306	–	–
Amortisation of prepaid lease payments	51,656	51,657	–	–
Non-executive directors' remuneration (Note 9)	74,000	73,000	74,000	73,000
Write off of property, plant and equipment	–	190	–	–
Write off of concession assets	40,402	–	–	–
Provision for doubtful debts	630,000	2,100,000	–	–
Provision for liquidated damages	–	635,822	–	–
Rental expenses				
– motor vehicle	–	27,336	–	–
– land and building	48,000	102,418	134,676	134,676
Employee benefits expense (Note 8)	12,786,343	15,893,947	2,096,302	2,051,042
Reversal of impairment losses on other investments	–	(67,752)	–	–
Gain on disposal of property, plant and equipment	(2,856)	(1,009,624)	–	–
Gain on disposal of assets held for sale	(174,900)	–	–	–
Gain on disposal of marketable securities	(300,919)	–	–	–
Rental income				
– land and building	(51,200)	(68,500)	–	–
– plant and machinery	–	(9,000)	–	–
Interest income				
– subsidiaries	–	–	(243,056)	(425,489)
– fixed deposits	(382,763)	(499,879)	(10,876)	(41,415)

8. EMPLOYEE BENEFITS EXPENSE

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Salaries and other benefits	11,446,565	14,410,387	1,928,483	1,876,376
Contributions to:				
– defined contribution plan	1,281,156	1,417,569	167,819	174,666
– defined benefit plan	58,622	65,991	–	–
	12,786,343	15,893,947	2,096,302	2,051,042

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,225,339 (2007: RM2,162,321) and RM688,487 (2007: 689,946) respectively as further disclosed in Note 9.

9. DIRECTORS' REMUNERATION

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Directors of the Company:				
Executive:				
Salaries and other emoluments	1,515,020	1,468,541	634,667	634,666
Defined contribution plan	107,640	112,020	53,820	55,280
Non-Executive:				
Fees	74,000	73,000	74,000	73,000
	1,696,660	1,653,561	762,487	762,946
Directors of Subsidiaries:				
Executive:				
Salaries and other emoluments	539,619	520,500	–	–
Defined contribution plan	63,060	61,260	–	–
	602,679	581,760	–	–
Total directors' remuneration	2,299,339	2,235,321	762,487	762,946
Estimated money value of benefits-in-kind	32,800	39,700	500	–
Total directors' remuneration including benefits-in-kind	2,332,139	2,275,021	762,987	762,946

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	
	2008	2007
Executive directors:		
RM300,001 - RM350,000	2	2
RM350,001 - RM400,000	–	–
RM400,001 - RM450,000	1	1
RM450,001 - RM500,000	–	–
RM500,001 - RM550,000	1	1
Non-executive directors:		
RM50,000 and below	3	3

10. INCOME TAX EXPENSE

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Malaysian income tax:				
Current tax	4,797,690	7,242,759	333,093	522,267
(Over)/Underprovision in prior years	(566,564)	5 34,166	(22,767)	–
	4,231,126	7,776,925	310,326	522,267
Foreign income tax:				
Current tax	462,439	429,033	–	–

10. INCOME TAX EXPENSE (Cont'd)

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Deferred tax (Note 22):				
Relating to origination and reversal of temporary differences	(989,506)	(592,591)	–	–
Relating to change in Malaysian tax rate	(21,555)	(21,476)	–	–
Under/(over)provision in prior years	110,014	(51,362)	–	–
	(901,047)	(665,429)	–	–
	3,792,518	7,540,529	310,326	522,267

Income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year except for certain subsidiaries falling under the category of Small Medium Enterprise ("SME") in Malaysia, in which case income tax is calculated at the statutory tax rate of 20% (2007: 20%) for the first RM500,000 (2007: RM500,000) of chargeable income and 26% (2007: 27%) for the balance of estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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 2008 RM	Group 2007 RM Restated	Company 2008 RM	Company 2007 RM
Profit before tax	11,412,817	22,001,988	21,793	1,153,068
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	2,967,332	5,940,537	5,666	311,328
Effect of income subject to tax rate of 20% (2007: 20%)	(95,786)	(221,936)	–	–
Effect of different tax rates in other countries	37,341	72,580	–	–
Effect of reduction in tax rate in opening deferred tax	(21,555)	(21,476)	–	–
Income not subject to tax	(369,093)	(335,206)	(187,691)	(199,972)
Expenses not deductible for tax purposes	1,429,194	1,574,082	543,086	418,984
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(32,323)	(144,331)	(27,968)	(8,073)
Deferred tax assets not recognised	335,461	193,468	–	–
Share of results of associates	(1,503)	7	–	–
(Over)/underprovision of income tax in prior years	(566,564)	534,166	(22,767)	–
Under/(over)provision of deferred tax in prior years	110,014	(51,362)	–	–
Tax expense for the year	3,792,518	7,540,529	310,326	522,267

11. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is 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 2008 RM	Group 2007 RM Restated
Profit for the year attributable to ordinary equity holders of the Company	7,516,125	14,201,712
Weighted average number of ordinary shares in issue	117,706,428	109,334,421
Basic earnings per share (sen)	6.39	12.99

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares from conversion of the 2% Irredeemable Convertible Unsecured Loan Stocks 2003/2008 ("ICULS 2003/2008") and share options granted under ESOS.

	Group 2008 RM	Group 2007 RM Restated
Profit for the year attributable to ordinary equity holders of the Company	7,516,125	14,201,712
After-tax effects of interest on ICULS 2003/2008	992	978
Adjusted profit for the year	7,517,117	14,202,690
Weighted average number of ordinary shares in issue	117,706,428	109,334,421
Adjustment for assumed conversion of ICULS 2003/2008	52,756	52,756
Adjusted weighted average number of ordinary shares in issue and issuable	117,759,184	109,387,177
Diluted earnings per share (sen)	6.38	12.98

12. DIVIDEND

	2008 RM	2007 RM
In respect of financial year ended 31 May 2007:		
Final dividend of 2.5% (2007: 2%), less 27% (2007: 28%) tax on 117,963,037 (2007: 106,014,037) ordinary shares (1.82 (2007: 1.44) sen net per ordinary share)	2,152,825	1,526,602

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 May 2008, of 2.5% less 26% taxation amounting to a dividend payable of RM2,182,316 (1.85 sen net per ordinary share) based on the paid-up share capital as at 31 May 2008 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 May 2009.

13. JOINTLY CONTROLLED ENTITY

In prior financial year, Gadang Engineering (M) Sdn Bhd ("GESB"), a wholly-owned subsidiary of the Company had entered into a Consortium Agreement with Perembun (M) Sdn Bhd ("Perembun") to form a joint venture known as Konsortium Gadang Perembun ("KGP"), which is an unincorporated joint venture entity domiciled in Malaysia.

The sharing of the rights and liabilities and distribution of net profits of KGP are allocated to GESB and Perembun in the proportion of 55:45.

The following amounts are included in the Group's financial statements as a result of proportionate consolidation:

	2008 RM	2007 RM
Assets and liabilities		
Non-current assets	311,072	-
Current assets	4,934,495	-
Total assets	5,245,568	-
Current and total liabilities	6,002,134	-
Results		
Revenue	7,429,305	-
Profit for the year, after taxation	1,310,077	-

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Buildings RM	Leasehold land and buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovations RM	Total RM
Group										
31 May 2008										
Cost/Valuation										
At 1 June 2007:										
As previously stated	3,241,508	8,041,734	2,336,403	55,624,061	4,183,408	3,254,291	1,508,716	5,960,640	1,094,533	85,245,294
Effect of adopting FRS117	-	-	(2,336,403)	-	-	-	-	-	-	(2,336,403)
Reclassified to concession assets	(381,508)	(1,471,777)	-	(10,814,045)	-	-	-	-	-	(12,667,330)
As restated	2,860,000	6,569,957	-	44,810,016	4,183,408	3,254,291	1,508,716	5,960,640	1,094,533	70,241,561
Acquisition of subsidiaries	-	-	-	-	-	39,160	-	357,951	-	397,111
Additions	-	-	-	193,629	690,115	144,232	18,787	1,269,495	520	2,316,778
Disposals/Write-offs	-	-	-	-	(29,262)	(7,251)	-	(202,649)	-	(239,162)
Exchange difference	-	-	-	-	-	(28,499)	-	(967)	-	(29,466)
At 31 May 2008	2,860,000	6,569,957	-	45,003,645	4,844,261	3,401,933	1,527,503	7,384,470	1,095,053	72,686,822
Representing:										
At cost	-	-	-	45,003,645	4,844,261	3,401,933	1,527,503	7,384,470	1,095,053	63,256,865
At valuation	2,860,000	6,569,957	-	-	-	-	-	-	-	9,429,957
	2,860,000	6,569,957	-	45,003,645	4,844,261	3,401,933	1,527,503	7,384,470	1,095,053	72,686,822
Accumulated Depreciation										
At 1 June 2007:										
As previously stated	-	1,724,422	131,831	43,985,621	3,454,626	2,477,391	1,314,882	5,052,777	865,420	59,006,970
Effect of adopting FRS117	-	-	(131,831)	-	-	-	-	-	-	(131,831)
Reclassified to concession assets	-	(340,474)	-	(4,285,851)	-	-	-	-	-	(4,626,325)
As restated	-	1,383,948	-	39,699,770	3,454,626	2,477,391	1,314,882	5,052,777	865,420	54,248,814
Acquisition of subsidiaries	-	-	-	-	-	26,039	-	181,540	-	207,579
Depreciation charge for the year:										
Recognised in income statement (Note 7)	-	131,399	-	124,373	643,430	205,013	21,908	506,197	37,202	1,669,522
Capitalised in construction costs (Note 24)	-	-	-	460,108	-	-	-	5,211	-	465,319
	-	131,399	-	584,481	643,430	205,013	21,908	511,408	37,202	2,134,841
Exchange difference	-	-	-	-	-	(13,380)	-	(1,581)	-	(14,961)
Disposals/Write-offs	-	-	-	-	(10,238)	(2,014)	-	(182,279)	-	(194,531)
At 31 May 2008	-	1,515,347	-	40,284,251	4,087,818	2,693,049	1,336,790	5,561,865	902,622	56,381,742

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold land RM	Buildings RM	Leasehold land and buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovations RM	Total RM
Group (Cont'd)										
31 May 2008 (Cont'd)										
Net Carrying Amount										
At 31 May 2008:										
At cost	-	-	-	4,719,394	756,443	708,884	190,713	1,822,605	192,431	8,390,470
At valuation	2,860,000	5,054,610	-	-	-	-	-	-	-	7,914,610
	2,860,000	5,054,610	-	4,719,394	756,443	708,884	190,713	1,822,605	192,431	16,305,080
31 May 2007										
Cost/Valuation										
At 1 June 2006:										
As previously stated	2,860,000	6,569,957	2,336,403	54,979,100	5,937,194	3,049,958	1,407,792	8,459,515	1,092,198	86,692,117
Effect of adopting FRS117	-	-	(2,336,403)	-	-	-	-	-	-	(2,336,403)
Reclassified to concession assets				(9,548,092)	-	-	-	-	-	(9,548,092)
As restated	2,860,000	6,569,957	-	45,431,008	5,937,194	3,049,958	1,407,792	8,459,515	1,092,198	74,807,622
Acquisition of subsidiary	-	-	-	-	-	56,214	-	50,375	-	106,589
Additions	-	-	-	123,628	459,633	160,559	12,735	228,190	2,335	987,080
Disposals/Write-offs	-	-	-	(656,243)	(2,213,419)	(1,239)	(188)	(2,774,065)	-	(5,645,154)
Exchange difference	-	-	-	-	-	(11,201)	-	(3,375)	-	(14,576)
At 31 May 2007	2,860,000	6,569,957	-	44,898,393	4,183,408	3,254,291	1,420,339	5,960,640	1,094,533	70,241,561
Representing:										
At cost	-	-	-	44,898,393	4,183,408	3,254,291	1,420,339	5,960,640	1,094,533	60,811,604
At valuation	2,860,000	6,569,957	-	-	-	-	-	-	-	9,429,957
	2,860,000	6,569,957	-	44,898,393	4,183,408	3,254,291	1,420,339	5,960,640	1,094,533	70,241,561

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold land RM	Buildings RM	Leasehold land and buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovations RM	Total RM
Group (Cont'd)										
31 May 2007 (Cont'd)										
Accumulated Depreciation										
At 1 June 2006:										
As previously stated	-	1,252,548	85,103	42,948,285	4,657,171	2,237,088	1,244,896	7,190,425	792,491	60,408,007
Effect of adopting FRS117	-	-	(85,103)	-	-	-	-	-	-	(85,103)
Reclassified to concession assets	-	-	-	(3,391,318)	-	-	-	-	-	(3,391,318)
As restated	-	1,252,548	-	39,556,967	4,657,171	2,237,088	1,244,896	7,190,425	792,491	56,931,586
Acquisition of subsidiary	-	-	-	-	-	15,927	-	14,273	-	30,200
Depreciation charge for the year:										
Recognised in income statement (Note 7)	-	131,399	-	650,394	201,655	230,574	53,281	496,939	72,929	1,837,171
Capitalised in construction costs (Note 24)	-	-	-	29,699	517,473	-	-	19,104	-	566,276
	-	131,399	-	680,093	719,128	230,574	53,281	516,043	72,929	2,403,447
Exchange difference	-	-	-	-	-	(5,895)	-	(956)	-	(6,851)
Disposals/Write-offs	-	-	-	(520,533)	(1,921,673)	(303)	(51)	(2,667,008)	-	(5,109,568)
At 31 May 2007	-	1,383,947	-	39,716,527	3,454,626	2,477,391	1,298,126	5,052,777	865,420	54,248,814
Net Carrying Amount										
At 31 May 2007:										
At cost	-	-	-	5,181,866	728,782	776,900	122,213	907,863	229,113	7,946,737
At valuation	2,860,000	5,186,010	-	-	-	-	-	-	-	8,046,010
	2,860,000	5,186,010	-	5,181,866	728,782	776,900	122,213	907,863	229,113	15,992,747

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Company	Furniture and fittings RM	Office equipment RM	Total RM
31 May 2008			
Cost			
At 1 June 2007	4,813	71,650	76,463
Additions	2,160	3,696	5,856
At 31 May 2008	6,973	75,346	82,319
Accumulated Depreciation			
At 1 June 2007	1,353	25,929	27,828
Depreciation charge for the year	662	7,161	7,823
At 31 May 2008	2,015	33,090	35,105
Net Carrying Amount			
At 31 May 2008	4,958	42,256	47,214
31 May 2007			
Cost			
At 1 June 2006	4,813	71,255	76,068
Additions	–	395	395
At 31 May 2007	4,813	71,650	76,463
Accumulated Depreciation			
At 1 June 2006	872	18,777	19,649
Depreciation charge for the year	481	7,152	7,633
At 31 May 2007	1,353	25,929	27,282
Net Carrying Amount			
At 31 May 2007	3,460	45,721	49,181

(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)

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

	Group	
	2008 RM	2007 RM
Freehold land	986,686	986,686
Buildings	3,211,078	3,295,028

(b) Freehold land and buildings with an aggregate net book value of RM7,914,610 (2007: RM8,046,010) are pledged to a licensed bank as security for credit facilities granted to a subsidiary as referred to in Note 33.

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

	Group	
	2008 RM	2007 RM
Plant and machinery	560,371	1,394,696
Motor vehicles	1,214,177	407,972
	1,774,548	1,802,668

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash payments	1,020,008	764,680	5,856	395
Hire purchase contracts	1,296,770	222,400	–	–
	2,316,778	987,080	5,856	395

15. INVESTMENT PROPERTIES

	Group	
	2008 RM	2007 RM Restated
Net carrying amount		
At 1 June 2007/2006 (as previously stated)	623,631	628,560
Effect of adopting FRS117	(400,831)	(405,760)
At 1 June 2007/2006 (as restated) and at 31 May	222,800	222,800

15. INVESTMENT PROPERTIES (Cont'd)

	Group	
	2008 RM	2007 RM Restated
At 31 May:		
Cost	222,800	222,800
Accumulated depreciation	-	-
Net carrying amount	222,800	222,800
Represented by:		
Freehold land	222,800	222,800

The fair values of the investment properties as at 31 May 2008 of the Group are estimated at RM120,000 based on directors' assessment of the current prices in an active market for the respective properties within each vicinity.

16. PREPAID LEASE PAYMENTS

	Group	
	2008 RM	2007 RM Restated
Net carrying amount		
At 1 June 2007/2006 (as previously stated)	-	-
Effect of adopting FRS117	2,605,403	2,657,060
At 1 June 2007/2006 (as restated)	2,605,403	2,657,060
Amortisation charge for the year	(51,656)	(51,657)
At 31 May	2,553,747	2,605,403
Represented by:		
Long term leasehold land	2,553,747	2,605,403

The title deed of the leasehold land with carrying amount of RM140,160 (2007: RM142,080) is in the process of being registered in the name of the Group.

Leasehold land and buildings with carrying amounts of RM2,157,843 (2007: RM2,204,572) are pledged to a licensed bank as security for term loans and credit facilities granted to a subsidiary as referred to in Note 33.

17. CONCESSION ASSETS

	Group 2008 RM	Group 2007 RM Restated
Cost		
At 1 June 2007/2006 (as previously stated)	–	–
Reclassified from property, plant and equipment	12,667,330	9,548,092
At 1 June 2007/2006 (restated)	12,667,330	9,548,092
Additions	2,831,325	51,478
Acquisition of subsidiaries	26,790,413	3,730,307
Write-offs	(41,992)	–
Exchange difference	(1,040,264)	(662,547)
At 31 May	41,206,812	12,667,330
Accumulated Depreciation		
At 1 June 2007/2006 (as previously stated)	–	–
Reclassified from property, plant and equipment	4,626,325	3,391,318
Prior year adjustments	(702,950)	(279,047)
At 1 June 2007/2006 (restated)	3,923,375	3,112,271
Depreciation charge for the year	554,365	276,306
Acquisition of subsidiaries	2,532,104	730,160
Write-offs	(1,590)	–
Exchange difference	(405,516)	(195,362)
At 31 May	6,602,738	3,923,375
Net carrying amount	34,604,074	8,743,955

18. INVESTMENTS IN SUBSIDARIES

	Group 2008 RM	Group 2007 RM
Unquoted shares at cost	85,157,847	85,157,847

18. INVESTMENTS IN SUBSIDARIES (Cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Equity interest held 2008	Equity interest held 2007	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) Private Limited *	India	95%	95%	Dormant
Regional Utilities Sdn Bhd and its subsidiaries	Malaysia	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
PT Bintang Hytien Jaya*	Indonesia	95%	95%	Water concession
PT Hanarida Tirta Birawa*	Indonesia	85%	-	Water concession
PT Sarana Catur Tirtakelola*	Indonesia	65%	-	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

18. INVESTMENTS IN SUBSIDARIES (Cont'd)

Name of subsidiaries	Country of incorporation	Equity interest held 2008	Equity interest held 2007	Principal activities
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
Flora Masyhur Sdn Bhd *	Malaysia	100%	100%	Dormant
Splendid Pavilion Sdn Bhd	Malaysia	100%	100%	Property development
Natural Domain Sdn Bhd	Malaysia	100%	100%	Property development
Crimson Villa Sdn Bhd *	Malaysia	100%	-	Dormant
Elegance Sonata Sdn Bhd *	Malaysia	100%	-	Property development
Gadang International (HK) Limited * and its subsidiary	Hong Kong	100%	100%	Dormant
Jiawei Environment International Investment (HK) Limited *	Hong Kong	100%	100%	Dormant
GLP Resources (M) Sdn Bhd * and its subsidiaries	Malaysia	70%	70%	Trading in protective and decorative coatings
GLP Manufacturing (M) Sdn Bhd *	Malaysia	100%	100%	Manufacturing of protective and decorative coatings
GLP Paints (M) Sdn Bhd *	Malaysia	100%	100%	Trading in protective and decorative coatings

* Not audited by Ernst & Young

18. INVESTMENTS IN SUBSIDARIES (Cont'd)

(a) Acquisition of Subsidiaries

On 24 April 2008, the Group acquired 85% equity interest in PT Hanarida Tirta Birawa, a company incorporated in Indonesia and engaging in water concession in Indonesia, for a cash consideration of RM14,288,984 as disclosed in Note 41(a).

On 22 April 2008, the Group acquired 65% equity interest in PT Sarana Catur Tirtakelola, a company incorporated in Indonesia and engaging in water concession in Indonesia, for a cash consideration of RM1,983,600 as disclosed in Note 41(b).

In the previous financial year, the Group had acquired 95% equity interest in PT Bintang Hytien Jaya a company incorporated in Indonesia and engaging in water concession in Indonesia, for a cash consideration of RM3,851,550.

The acquisitions had the following effect on the Group's financial results for the year:

	2008 RM	2007 RM
Revenue	1,237,500	117,364
Loss from operations	(148,245)	(414,495)
Loss for the year	(148,245)	(552,864)

The acquisitions had the following effect on the financial position of the Group as at end of the financial year:

	2008 RM	2007 RM
Concession assets	24,231,274	2,601,662
Property, plant and equipment	169,759	104,998
Inventories	9,710	6,994
Trade and other receivables	4,373,184	86,619
Cash and bank balances	2,875,834	3,563
Trade and other payables	(533,731)	(755,572)
Bank borrowings	(9,097,320)	-
Deferred tax liabilities	(2,137,547	(29,389)
	19,891,163	2,018,875
Less: Minority interests	(3,503,684)	(100,945)
Group's share of net assets	16,387,479	1,917,930

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiaries were as follows:

	2008 RM	2007 RM
Property, plant and equipment	189,532	76,389
Concession assets	24,258,309	3,000,147
Inventories	14,226	6,828
Trade and other receivables	3,000,301	100,438
Cash and bank balances	9,954,705	10,376
Trade and other payables	(5,986,447)	(552,425)
Bank borrowings	(9,429,791)	-
Deferred tax liabilities	(2,138,600)	-

18. INVESTMENTS IN SUBSIDARIES (Cont'd)

(a) Acquisition of Subsidiaries (Cont'd)

	2008 RM	2007 RM
Fair value of total net assets	19,862,235	2,641,753
Less: Minority interests	(3,589,651)	(5,063)
Group's share of net assets	16,272,584	2,636,690
Goodwill on acquisition (Note 21)	-	1,214,860
Cost of acquisition	16,272,584	3,851,550
Purchase consideration satisfied by cash	16,272,584	3,851,550
Net cash outflow arising on acquisitions:		
Cash consideration	16,272,584	3,851,550
Cash and cash equivalents of subsidiaries acquired	(9,954,705)	(10,376)
Net cash outflow to the Group	6,317,879	3,841,174

The acquisition and incorporation of subsidiaries which do not have any material effect on the financial position and results of the Group are not listed above.

19. INVESTMENTS IN ASSOCIATES

	Group 2008 RM	Group 2007 RM
In Malaysia:		
Unquoted shares, at cost	300,025	25
Share of post-acquisition reserves	5,755	(25)
	305,780	-
Analysed as:		
Share of net assets	305,780	-

Details of the associates are as follows:

Name of subsidiaries	Equity interest held 2008	Equity interest held 2007	Principal activities
Maha Abadi Sdn Bhd (Incorporated in Malaysia)	25%	25%	Dormant
Norimax Sdn Bhd (Incorporated in Malaysia)	25%	-	Engineering services, manufacturing and marketing of corrosion control products

During the current financial year, the Group acquired 25% equity interest in Norimax Sdn Bhd for a cash consideration of RM300,000.

20. OTHER INVESTMENTS

	Group 2008 RM	Group 2007 RM
In Malaysia:		
Quoted investments at cost		
– Shares	–	7,200
– Irredeemable Convertible Unsecured Loan Stocks	–	169,000
	–	176,200
Less: Accumulated impairment losses	–	–
	–	176,200
Unquoted shares at cost	100,000	100,000
Golf club membership	126,000	126,000
	226,000	402,200
Market value of quoted investments	–	190,611

21. GOODWILL ON CONSOLIDATION

	Group 2008 RM	Group 2007 RM
Cost		
At 1 June 2007/2006	16,972,393	15,757,533
Acquisition of subsidiaries (Note 18(a))	–	1,214,860
At 31 May	16,972,393	16,972,393
Accumulated amortisation and impairment	–	–
Net carrying amount	16,972,393	16,972,393

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 RM	Discount rate
At 31 May 2008 and 2007		
Property development	12,811,135	8%
Water concession	4,038,596	8%
Trading in protective and decorative coatings	122,662	8%
	16,972,393	

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-year 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	
	2008 RM	2007 RM
At 1 June 2007/2006	5,253,974	5,919,403
Arising from acquisition of subsidiaries (Note 18(a))	2,138,600	–
	7,392,574	5,919,403
Recognised in income statement (Note 10)	(901,047)	(665,429)
Exchange difference	(1,053)	–
At 31 May	6,490,474	5,253,974
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	7,909,657	6,839,168
Deferred tax assets	(1,419,183)	(1,585,194)
	6,490,474	5,253,974

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 2007	6,242,553	–	596,615	6,839,168
Recognised in income statement	(922,844)	–	(151,858)	(1,074,702)
Arising from acquisition of subsidiaries	–	2,138,600	–	2,138,600
Exchange difference	–	(1,053)	–	(1,053)
At 31 May 2008	5,319,709	2,137,547	444,757	7,902,013
At 1 June 2006	6,681,152	–	740,028	7,421,180
Recognised in income statement	(438,599)	–	(143,413)	(582,012)
At 31 May 2007	6,242,553	–	596,615	6,839,168

22. DEFERRED TAXATION (Cont'd)

Deferred tax assets of the Group:

	Tax losses and unabsorbed capital allowances RM
At 1 June 2007	(1,585,194)
Recognised in income statement	173,655
At 31 May 2008	(1,411,539)
At 1 June 2006	(1,501,777)
Recognised in income statement	(83,417)
At 31 May 2007	(1,585,194)

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

	Group	
	2008 RM	2007 RM
Unused tax losses	4,370,771	1,191,772
Unabsorbed capital allowances	1,666,866	1,631,363
	6,037,637	2,823,135

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the subsidiaries in which those items arose is subject no substantial changes in shareholdings of these subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. 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	
	2008 RM	2007 RM
Cumulative property development costs		
At 1 June 2007/2006:		
Freehold land	48,896,113	48,896,113
Leasehold land	25,855,706	25,855,706
Development costs	206,160,016	182,692,889
	280,911,835	257,444,708
Costs incurred during the year:		
Freehold land	9,673,154	-
Development costs	34,781,510	36,051,698
Reversal of completed projects	(37,797,021)	-
Transfer to inventories	(219,656)	(12,584,571)
	287,349,822	280,911,835

23. PROPERTY DEVELOPMENT COSTS (Cont'd)

	Group 2008 RM	Group 2007 RM
Cumulative costs recognised in income statement		
At 1 June 2007/2006	(195,430,335)	(152,169,365)
Recognised during the year	(34,272,741)	(43,260,970)
Reversal of completed projects	37,797,021	-
At 31 May	(191,906,055)	(195,430,335)
Property development costs at 31 May	95,443,767	85,481,500
Analysed as:		
Freehold land	58,569,267	48,896,113
Leasehold land	25,855,706	25,855,706
Development costs	202,924,849	206,160,016
Cumulative costs recognised in income statement	(191,906,055)	(195,430,335)
	95,443,767	85,481,500

(a) The freehold land under development of the Group with a carrying value of RM8,010,077 (2007: RM8,010,077) is pledged to a licensed bank as security for credit facilities granted to certain subsidiaries as referred to in Note 33.

(b) The freehold land under development of the Group with a carrying value of RM42,860,398 (2007: RM33,187,244) is charged as security for term loans and credit facilities granted to the Company and certain subsidiaries as referred to in Note 33.

(c) The leasehold land under development of the Group with a carrying value of RM17,796,710 (2007: RM17,796,710) is pledged to licensed banks as security for term loans and credit facilities granted to certain subsidiaries as referred to in Note 33.

(d) Included in property development costs incurred during the financial year are bank guarantee charges capitalised amounting to RM131,091 (2007: RM130,288).

24. AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group 2008 RM	Group 2007 RM
Construction contract costs incurred to date	967,061,749	725,826,057
Attributable profits	36,993,167	30,107,300
	1,004,054,916	755,933,357
Less: Progress billings	(974,483,877)	(737,475,990)
Due from customers on contracts-in-progress	29,571,039	18,457,367
Due from customers on completed contracts for which final accounts have not been issued	306,966	1,899,591
	29,878,005	20,356,958
Due from customers on contracts	31,578,879	24,063,065
Due to customers on contracts	(1,700,874)	(3,706,107)
	29,878,005	20,356,958

24. AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONTRACTS (Cont'd)

	Group 2008 RM	2007 RM
Advances received on contracts, included within trade payables (Note 35)	2,153,572	156,000
Retention sums on contracts, included within trade receivables (Note 26)	14,028,720	7,141,676
Contract costs recognised as an expense	96,473,934	119,069,328

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 2008 RM	2007 RM
Depreciation of property, plant and equipment (Note 14)	465,319	566,276
Interest expense (Note 6)	663	4,154
Hire of plant and machinery	4,631,337	1,187,259

25. INVENTORIES

	Group 2008 RM	2007 RM
At Cost:		
Construction materials on site	91,024	102,021
Raw materials	696,096	567,129
Packing materials	46,090	66,874
Finished goods	795,710	521,118
Properties held for sale	12,702,160	14,980,912
	14,331,080	16,238,054

26. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade receivables	90,552,826	80,269,763	–	–
Retention sums (Note 24)	14,028,720	17,141,676	–	–
Accrued billings in respect of property development costs	12,704,135	10,187,282	–	–
	117,285,681	107,598,721	–	–

26. TRADE AND OTHER RECEIVABLES (Cont'd)

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Other receivables	2,892,949	2,316,530	29,225	21,523
Prepayments	645,268	792,885	–	–
Deposits	6,247,829	8,081,275	101,000	101,000
Advances to subcontractors	7,839,586	4,038,494	–	–
Due from an associate	1,096,767	–	–	–
	18,722,399	15,229,184	130,225	122,523
Trade and other receivables	136,008,080	122,827,905	130,225	122,523
Less: Provision for doubtful debts	(2,763,449)	(2,133,449)	–	–
	133,244,631	120,694,456	130,225	122,523

(a) Included in trade and other receivables of the Group are amounts which have been outstanding in excess of 12 months amounting to RM48,255,076 (2007: RM5,456,688) for which a provision of RM2,763,449 (2007: RM2,133,449) 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 have no fixed terms of repayment.

(c) Included in trade and other receivables of the Group are balances denominated in Indonesian Rupiah amounting to RM1,859,147 (2007: RM3,437,247).

(d) The Group's normal trade credit term ranges from 30 to 90 (2007: 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 38% (2007: 12%) of the trade receivables as of 31 May 2008 are due from a single debtor.

27. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from/to subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

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	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash on hand and at banks	8,443,656	5,791,578	121,576	97,549
Fixed deposits with licensed banks	4,655,686	7,920,709	–	1,640,000
	13,099,342	13,712,287	121,576	1,737,549
Less: Bank overdrafts (Note 33)	(10,713,339)	(14,280,592)	(518,692)	–
Cash and cash equivalents	2,386,003	(568,305)	(397,116)	1,737,549

28. CASH AND CASH EQUIVALENTS (Cont'd)

(a) Included in cash at banks of the Group are amounts of RM3,080,554 (2007: RM3,825,864) 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 RM1,516,739 (2007: RM4,771,312) 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	
	2008 %	2007 %	2008 %	2007 %
Fixed deposits with licensed banks	5.63	3.13	–	3.40

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

	Group		Company	
	2008 Days	2007 Days	2008 Days	2007 Days
Fixed deposits with licensed banks	16	30	–	30

(e) Included in cash and bank balances of the Group are balances denominated in Indonesian Rupiah amounting to RM3,735,952 (2007: RM127,314).

29 ASSETS HELD FOR SALE

	Group	
	2008 RM	2007 RM
Net carrying amount upon classification as held for sale:		
Freehold land held for sale	5,065,620	6,788,500

Freehold land held for sale was acquired by way of a settlement agreement with a trade debtor of asubsidiary. The title deeds of the land are not registered in the name of the subsidiary and the land ischarged to licensed banks as security for bank borrowings granted to the Company as referred to inNote 33. The Group has made a commitment to dispose of the land in the near future.

30. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2008	2007	2008	2007
Authorized:				
At 1 June 2007/2006 and 31 May	200,000,000	200,000,000	200,000,000	200,000,000

30. SHARE CAPITAL (Cont'd)

	Number of Ordinary Shares of RM1 Each		Amount	
	2008	2007	2008	2007
Issued and fully paid:				
At 1 June 2007/2006	116,659,037	106,014,037	116,659,037	106,014,037
Issued during the year pursuant to:				
-Private placement	-	10,600,000	-	10,600,000
-ESOS	1,304,000	45,000	1,304,000	45,000
At 31 May	117,963,037	116,659,037	117,963,037	116,659,037

(a) During the financial year, the Company increased its issued and paid-up share capital from RM116,659,037 to RM117,963,037 by way of the issuance of 1,304,000 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Options Scheme ("ESOS") at an exercise price of RM1.00 per ordinary share.

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

(b) The ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 8 May 2002. The ESOS was implemented on 1 November 2002 and had expired on 31 October 2007.

(c) The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year:

	Number of Share Options					
	Outstanding	Movement during the year			Outstanding	Exercisable
	At 1 June	Granted	Exercised	Lapsed	At 31 May	At 31 May
2008						
2002 Options	1,486,000	-	(1,304,000)	(182,000)	-	-
2003 Options	175,000	-	-	(175,000)	-	-
2004 Options	563,000	-	-	(563,000)	-	-
2005 Options	483,000	-	-	(483,000)	-	-
	2,707,000	-	(1,304,000)	(1,403,000)	-	-
WAEP	1.32	-	1.00	1.62	-	-
2007						
2002 Options	1,568,000	-	(45,000)	(37,000)	1,486,000	1,486,000
2003 Options	198,000	-	-	(23,000)	175,000	175,000
2004 Options	611,000	-	-	(48,000)	563,000	563,000
2005 Options	550,000	-	-	(67,000)	483,000	483,000
	2,927,000	-	(45,000)	(175,000)	2,707,000	2,707,000
WAEP	1.33	-	1.00	1.55	1.32	1.32

(d) All the share options outstanding at the end of the previous financial year were exercisable up to 31 October 2007, which was the expiry date of the ESOS.

31. RESERVES

	Group 2008 RM	Group 2007 RM Restated	Company 2008 RM	Company 2007 RM
Non-distributable				
Capital reserve	1,346,681	1,346,681	–	–
Share premium	8,817,588	8,820,679	8,817,588	8,820,679
Foreign exchange reserve	(716,534)	(217,362)	–	–
	9,447,735	9,949,998	8,817,588	8,820,679
Distributable				
Retained profits	42,765,639	37,402,339	17,155,091	19,596,450
	52,213,374	47,352,337	25,972,679	28,417,129

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

(c) Prior to the year of assessment 2008, 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 2008, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained profits.

32. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS")

	Group/Company 2008 RM	Group/Company 2007 RM
ICULS 2003/2008		
At 1 June 2007/2006	67,000	67,000
Converted during the year	–	–
At 31 May	67,000	67,000

32. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") (Cont'd)

	Group/Company	
	2008 RM	2007 RM
Analysed as:		
Liability component		
Due within 12 months	715	1,227
Due after 12 months	-	654
	715	1,881
Equity component	66,285	65,119
	67,000	67,000

The 2% ICULS 2003/2008 at nominal value of RM1.00 each are constituted by a Trust Deed dated 19 November 2003 between the Company and the Trustee for the holders of the ICULS. These ICULS were issued pursuant to a Debt Settlement exercise implemented by the Company.

The salient features of the RM38,000,000 nominal value of 2% ICULS 2003/2008 are as follows:

(i) The interest on these is payable annually in arrears.

(ii) The 2% ICULS 2003/2008 shall be convertible into new ordinary shares of the Company on any market day during the tenure of five years from the date of issuance at the conversion rate of RM1.27 nominal value of 2% ICULS 2003/2008 or at the conversion rate of RM1.00 nominal value of the 2% ICULS 2003/2008 plus RM0.27 in cash for every one new ordinary share of RM1.00 each in the Company.

(iii) Upon conversion of these ICULS into new ordinary shares, such shares shall rank pari passu in all respects with the ordinary shares of the Company in issue at the time of conversion except that they will not be entitled to any dividend or distribution declared prior to the conversion date of these ICULS.

33. BANK BORROWINGS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Short term borrowings				
Secured:				
Bank overdrafts	10,713,339	14,280,592	518,692	-
Bankers acceptances	402,000	714,000	-	126,000
Revolving credits	23,600,000	5,000,000	7,500,000	-
Trust receipts	6,518,217	714,111	1,332,510	714,112
Term loans	8,596,404	3,916,252	5,694,582	2,883,771
Hire purchase payables	674,425	731,464	-	-
	50,504,385	25,356,419	15,045,784	3,723,883
Long term borrowings				
Secured:				
Term loans	28,051,328	17,621,296	11,357,424	14,985,596
Hire purchase payables	1,115,977	512,899	-	-
	29,167,305	18,134,195	11,357,424	14,985,596

33. BANK BORROWINGS (Cont'd)

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Total borrowings				
Bank overdrafts	10,713,339	14,280,592	518,692	–
Bankers acceptances	402,000	714,000	–	126,000
Revolving credits	23,600,000	5,000,000	7,500,000	–
Trust receipts	6,518,217	714,111	1,332,510	714,112
Term loans	36,647,732	21,537,548	17,052,006	17,869,367
Hire purchase payables	1,790,402	1,244,363	–	–
	79,671,690	43,490,614	26,403,208	18,709,479
Maturity of borrowings (excluding hire purchase payables)				
Within one year	49,829,960	24,624,955	15,045,784	3,723,883
More than one year and less than two years	7,359,353	8,454,631	2,663,733	6,570,931
More than two years and less than five years	16,958,608	9,166,665	8,693,691	8,414,665
Five years or more	3,733,367	–	–	–
	77,881,288	42,246,251	26,403,208	18,709,479

(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 16;

(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 freehold land held for sale of a subsidiary as disclosed in Note 29;

(v) corporate guarantee by the Company and

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

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

	Group 2008 %	Group 2007 %	Company 2008 %	Company 2007 %
Bank overdrafts	8.64	8.40	8.00	–
Bankers acceptances	1.50	2.21	–	5.50
Revolving credits	5.76	7.59	5.75	–
Trust receipts	7.80	8.50	8.00	8.50
Term loans	9.43	9.68	8.36	8.50

(c) Included in bank borrowings of the Group are term loans denominated in Indonesian Rupiah amounting to RM12,192,676 (2007: RM3,008,000).

33. BANK BORROWINGS (Cont'd)

(d) Analysis of hire purchase payables

	Group 2008 RM	Group 2007 RM
Minimum lease payments:		
Not later than 1 year	697,274	826,223
Later than 1 year and not later than 2 years	467,126	254,502
Later than 2 years and not later than 5 years	829,492	327,999
	1,993,892	1,408,724
Less: Future finance charges	(203,490)	(164,361)
	1,790,402	1,244,363
Present value of hire purchase liabilities:		
Not later than 1 year	674,425	731,464
Later than 1 year and not later than 2 years	468,291	421,676
Later than 2 years and not later than 5 years	647,686	91,223
	1,790,402	1,244,363
Analysed as:		
Due within 12 months	674,425	731,464
Due after 12 months	1,115,977	512,899
	1,790,402	1,244,363

The hire purchase liabilities bear interest at the balance sheet date at flat rates between 2.58% to 6.00% (2007: 2.58% to 6.00%) per annum.

34. DEFINED BENEFIT OBLIGATIONS

A foreign subsidiary in Indonesia operates an unfunded defined benefit plan for its eligible employees in accordance with the local labour law.

	Group 2008 RM	Group 2007 RM
Movement in the net liability in the current year were as follows:		
At 1 June 2007/2006	197,346	131,355
Recognised in income statement (Note 8)	58,622	65,991
Payment	(14,478)	-
Exchange difference	(12,597)	-
At 31 May	228,893	197,346

34. DEFINED BENEFIT OBLIGATIONS (Cont'd)

	Group 2008 %	Group 2007 %
Principal actuarial assumptions used:		
Discount rate	11	11
Average salary increase	9	9

35. TRADE AND OTHER PAYABLES

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Trade payables (a)	63,745,954	61,652,578	–	–
Accrued subcontractor work	17,414,637	14,242,817	–	–
Advances from contract customers (Note 24)	2,153,572	156,000	–	–
Other payables	9,236,767	11,169,915	335,783	72,948
Other accruals	2,497,322	1,492,278	187,011	116,443
Deposits received	2,502,120	421,960	–	–
Advances from a director (b)	2,392,011	2,392,011	–	–
	99,942,383	91,527,559	522,794	189,391

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

	Group 2008 RM	Group 2007 RM
(i) Parties related to Tan Sri Dato' Kok Onn:		
– Kok Khim Boon (brother)	284,700	282,249
– Kok Kiw (brother) and KNL Jaya Construction Sdn Bhd (company connected to Kok Kiw)	543,215	652,205
– Kok Thiam Fook (relative)	246,265	259,593
– Magnibiz Sdn Bhd (brother-in-law is a shareholder in the company)	294,996	729,516
(ii) Party related to Koay Teng Keong:		
– Kim Master Tiling & Builders Sdn Bhd (a brother is a shareholder in the company)	–	493,830
	1,369,176	2,417,393

(b) Advances from Tan Sri Dato' Kok Onn, a director are unsecured, interest-free and have no fixed terms of repayment.

(c) The normal trade credit terms granted to the Group range from 30 to 90 (2007: 30 to 90) days.

(d) Included in trade and other payables of the Group are balances denominated in Indonesian Rupiah amounting to RM1,386,112 (2007: RM448,901).

36. PROVISION FOR LIABILITIES

	Group 2008 RM	Group 2007 RM
Provision for liquidated damages		
At 1 June 2007/2006	447,788	–
Additional provision	–	635,822
Utilisation of provision	(447,788)	(188,034)
At 31 May	–	447,788

Provision for liquidated damages is recognised for expected liquidated damages claims based on the terms of the applicable sale and purchase agreements.

37. 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:

	2008 RM	2007 RM
Company		
Subsidiaries:		
Gross dividends income	880,500	1,850,000
Interest income	243,056	425,489
Management fees income	3,863,001	3,646,000
Rental expense – land and buildings	134,676	134,676
Group		
Subcontractor work payable to related parties:		
– Kok Khim Boon (a)	345,701	312,902
– Kok Kiw (a) and KNL Jaya Construction Sdn Bhd (b)	3,798,968	7,041,059
– Kok Thiam Fook (c)	114,761	40,475
– Kim Master Tiling & Builders Sdn Bhd (d)	–	3,572,312
– Magnibiz Sdn Bhd (e)	516,761	2,130,393
Legal fees payable to Adam Bachek & Associates (f)	6,300	41,266

(a) Brother of Tan Sri Dato' Kok Onn
(b) Company connected to Kok Kiw, a brother of Tan Sri Dato' Kok Onn
(c) Relative of Tan Sri Dato' Kok Onn
(d) A brother of Koay Teng Keong is a shareholder in the company
(e) A brother-in-law of Tan Sri Dato' Kok Onn is a shareholder in the company
(f) Adam Bachek has interest in the firm

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

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

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

The key management personnel compensations are as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Directors (Note 9):				
Salaries and bonus	2,054,639	1,989,041	634,667	634,666
Fees	74,000	73,000	74,000	73,000
Defined contribution plan	170,700	173,280	53,820	55,280
Other benefits	32,800	39,700	500	–
	2,332,139	2,275,021	762,987	762,946
Senior management:				
Salaries and bonus	669,050	576,473	–	–
Defined contribution plan	68,582	57,924	–	–
	737,632	634,397	–	–
Total key management personnel compensations	3,069,771	2,909,418	762,987	762,946

38. CONTINGENT LIABILITIES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Corporate guarantees issued by the Group and by the Company to:				
(a) financial institutions for banking and hire purchase facilities granted to subsidiaries	–	–	117,689,774	45,327,620
(b) financial institutions for bank guarantees granted on behalf of third parties in the ordinary course of business	51,675,781	11,244,849	4,768,600	4,617,135
(c) suppliers of certain subsidiaries	–	–	43,950,000	45,910,000
(d) tenderor as tender bonds	195,000	2,250,000	–	–
Bank guarantees issued to:				
(a) Director General of Immigration Malaysia	54,750	72,750	–	–
(b) customers in the ordinary course of business	6,535,397	8,139,364	–	–
	58,460,928	21,706,963	166,408,374	95,854,755

39. SEGMENT INFORMATION

(a) Business Segments

	Earthwork, building and civil engineering construction works RM	Property and development RM	Manufacturing and trading in protective and decorative coatings RM	Water concession RM	Investment holding RM	Elimination RM	Consolidated RM
31 May 2008							
Revenue							
External sales	111,190,997	48,531,175	6,263,404	5,887,585	-	-	171,873,161
Inter-segment sales	105,665,283	3,628,756	2,325,416	410,000	4,743,501	(116,772,956)	-
Total revenue	216,856,280	52,159,931	8,588,820	6,297,585	4,743,501	(116,772,956)	171,873,161
Result							
Segment results	5,192,790	10,306,900	(900,800)	1,446,321	1,656,067	(1,827,778)	15,873,500
Finance costs							(4,466,463)
Share of results of associates							5,780
Profit before tax							11,412,817
Income tax expense							(3,792,518)
Profit for the year							7,620,299
Attributable to:							
Equity holders of the Company							7,516,125
Minority interests							104,174
							7,620,299
Segment assets	200,614,493	194,922,956	23,479,692	57,839,607	175,330,024	(287,130,526)	365,056,246
Investments in associates							305,780
Unallocated assets							1,419,183
Total assets							366,781,209
Segment liabilities	154,454,298	121,445,500	27,088,116	51,613,549	31,990,067	(202,546,392)	184,045,138
Unallocated liabilities							7,909,657
Total liabilities							191,954,795
Other Information							
Depreciation and amortisation	1,810,345	171,088	239,632	614,340	7,822	(102,365)	2,740,862
Capital expenditure	2,213,957	38,677	42,659	2,846,954	5,856	-	5,148,103
Other significant non-cash expenses:							
- Provisions	630,000	-	-	-	-	-	630,000

39. SEGMENT INFORMATION (Cont'd)

(a) Business Segments (Cont'd)

	Earthwork, building and civil engineering construction works RM	Property and development RM	Manufacturing and trading in protective and decorative coatings RM	Water concession RM	Investment holding RM	Elimination RM	Consolidated RM
31 May 2007 (Restated)							
Revenue							
External sales	158,133,131	60,342,740	3,669,416	3,809,813	-	-	225,955,100
Inter-segment sales	149,456,147	3,418,756	3,966,035	147,645	5,496,000	(162,484,583)	-
Total revenue	307,589,278	63,761,496	7,635,451	3,957,458	5,496,000	(162,484,583)	225,955,100
Result							
Segment results	15,703,004	13,241,573	(1,305,701)	799,125	2,960,356	(5,234,350)	26,164,007
Finance costs							(4,161,994)
Share of results of associates							(25)
Profit before tax							22,001,988
Income tax expense							(7,540,529)
Profit for the year							14,461,459
Attributable to:							
Equity holders of the Company							14,201,712
Minority interests							259,747
							14,461,459
Segment assets	242,983,784	174,577,719	21,981,291	29,277,556	167,101,366	(322,430,578)	313,491,138
Unallocated assets							1,585,194
Total assets							315,076,332
Segment liabilities	196,320,937	107,412,281	23,336,988	23,141,821	22,545,976	(229,510,963)	143,247,040
Unallocated liabilities							6,839,168
Total liabilities							150,086,208
Other Information							
Depreciation and amortisation	2,027,224	232,178	248,224	317,091	7,633	(100,940)	2,731,410
Capital expenditure	721,559	14,038	135,804	166,763	395	-	1,038,559
Reversal of impairment losses	-	-	-	-	(67,752)	-	(67,752)
Other significant non-cash expenses:							
- Provisions	2,100,000	635,822	-	-	-	-	2,735,822

39. SEGMENT INFORMATION (Cont'd)

(b) Geographical Segments

	Total revenue from external customers RM	Segment assets RM	Capital expenditure RM
31 May 2008			
Malaysia	165,985,576	318,437,008	2,301,149
Indonesia	5,887,585	45,790,233	2,846,954
Singapore	–	829,005	–
	171,873,161	365,056,246	5,148,103
31 May 2007 (Restated)			
Malaysia	222,145,287	299,711,298	871,796
Indonesia	3,809,813	12,677,754	166,763
Singapore	–	1,102,086	–
	225,955,100	313,491,138	1,038,559

40. COMMITMENTS

	Group 2008 RM	2007 RM
Approved and contracted for:		
Acquisition of investments	240,100	1,692,000

41. SIGNIFICANT EVENTS DURING THE YEAR

(a) As disclosed in the financial statements of the previous year, Asian Utilities Pte Ltd ("AUPL"), a company incorporated in Singapore and wholly-owned by Regional Utilities Sdn Bhd which in turn is a wholly-owned subsidiary of the Company had on 10 July 2007 entered into a Sale and Purchase of Shares Agreement ("SPA") with Ir. Joko Tripujono S., Ir. Muchtar Hadi and Ir. Imam Riwanto (collectively known as "the Sellers") to acquire from the Sellers their respective shares representing 85% equity interest in PT Hanarida Tirta Birawa ("HTB"), a company incorporated in Indonesia, for a purchase price of IDR64.2 billion (equivalent to approximately RM24.0 million).

HTB has been granted the rights to rehabilitate, uprating, operate and transfer for water treatment and supply for a period of 20 years commencing from 8 June 2004 to 8 June 2024 in Sidoarjo, Indonesia pursuant to the Cooperation Agreement with Perusahaan Daerah Air Minum Delta Tirta Kabupaten Sidoarjo, Indonesia ("PDAM"). HTB also has a Water Sales and Purchase Agreement with PDAM for the sales and purchase of bulk water on a Take or Pay basis.

On 22 January 2008, AUPL had further entered into an Amendment Agreement with the Sellers to vary the payment structure and date of the completion of the SPA.

The acquisition of HTB was completed on 24 April 2008 and HTB became an indirect subsidiary of the Company. The purchase price, together with other incidental costs, for the 85% of the total issued and fully paid-up capital of HTB were finally agreed at RM14,288,984.

(b) As disclosed in the financial statements of the previous year, AUPL had on 27 April 2006 entered into a Conditional Shares Transfer and Shares Subscription Agreement ("Agreement") with PT Lumbung Sumber Rejeki ("LSR") and PT Kairos Tata Chemical ("KTC") to acquire 65% equity interest in PT Sarana Catur Tirtakelola ("SCTK") and 10% equity interest in PT Sarana Tirta Rejeki ("STR") for a purchase consideration of IDR6.5 billion (equivalent to approximately RM2.8 million). SCTK will acquire 80% of the issued and paid up capital of STR. LSR, KTC, SCTK and STR are companies incorporated in Indonesia.

On 31 January 2008, AUPL entered into a Supplemental Agreement with LSR and KTC for the purposes of completing the share transfer and share subscription.

The acquisition of SCTK was completed on 22 April 2008, whilst the acquisition of 10% equity interest in STR is pending the approval of the regulatory authority.

The abovementioned acquisition of STR has yet to be completed as at the date the financial statements are authorised for issue.

(c) On 25 September 2007, Gadang Land Sdn Bhd ("Gadang Land"), a direct subsidiary of the Company acquired 2 ordinary shares of RM1 each representing 100% of the issued and paid-up share capital of Elegance Sonata Sdn Bhd ("Elegance Sonata") for a cash consideration of RM2. Subsequently, Gadang Land subscribed for an additional 249,998 ordinary shares of RM1 each in Elegance Sonata on 18 December 2007 at par for a total cash consideration of RM249,998, thereby increasing the Group's equity interest in Elegance Sonata to 250,000 ordinary shares representing 100% of the enlarged issued and paid-up share capital of Elegance Sonata.

(d) On 24 December 2007, the entire issued and paid-up share capital of RM117,963,037 comprising 117,963,037 ordinary shares of RM1.00 each and 2% ICULS 2003/2008 of RM67,000 nominal value are transferred from the Second Board to the Main Board of Bursa Malaysia Securities Berhad.

(e) On 4 February 2008, Konsortium Gadang Perembun received and accepted the award of the contract ("the Contract") from Jabatan Kerja Raya Malaysia for the project known as "Cadangan Merekabentuk, Membina, Menyiapkan, Mengujiterima, Mentauliah dan Menyenggara Hospital Rehabilitasi, Cheras" for a contract sum of RM341.90 million. The construction period of the Contract is 144 weeks. The date for possession of site is 15 February 2008 and the date for completion is 18 November 2010.

Konsortium Gadang Perembun is an unincorporated joint venture formed by the Company's wholly-owned subsidiary, Gadang Engineering (M) Sdn Bhd and Perembun (M) Sdn Bhd on 55:45 basis.

42. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity, credit and foreign exchange risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to bank borrowings as the Group had no substantial long term interest-bearing assets as at 31 May 2008. 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 which yield better returns than cash at bank.

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

(c) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

(d) Credit Risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

(e) Foreign Exchange Risk

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.

42. FINANCIAL INSTRUMENTS (Cont'd)

(f) Fair Values

The carrying amounts of financial assets and financial liabilities of the Group and of the Company at the balance sheet date approximate their fair values due to their relatively short term maturity except for the following:

	Group		Company	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
At 31 May 2008				
Other investments				
- unquoted	226,000	*	-	-
Amounts due from subsidiaries	-	-	89,893,158	#
Hire purchase payables	1,115,977	1,057,798	-	-
Advances from directors	2,392,011	#	-	-
Term loans	28,051,328	@	11,357,424	@
Amounts due to subsidiaries	-	-	5,063,349	#
At 31 May 2007				
Other investments				
- quoted	176,200	190,611	-	-
- unquoted	226,000	*	-	-
Amounts due from subsidiaries	-	-	80,034,268	#
Hire purchase payables	512,899	486,160	-	-
Advances from directors	2,392,011	#	-	-
Term loans	17,621,296	@	14,985,596	@
Amounts due to subsidiaries	-	-	3,645,225	#

* It is not practical to estimate the fair values of the Group's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

\# It is not practicable to determine the fair values of advances from directors and amounts due from/to subsidiaries due principally to a lack of fixed repayment terms. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be settled.

@ The carrying values of long term borrowings of the Group and of the Company, all of which are variable rate borrowings, is considered to be a reasonable estimate of the fair value as the borrowings will be repriced immediately in the event of any changes to the market interest rates.

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 fair values of qouted shares are determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

43. RESTATEMENT OF COMPARATIVES

The following comparative amounts have been restated as a result of changes in accounting policies as disclosed in Note 3:

	As Previously Stated RM	Adjustment FRS 117 Note3(a)(i) RM	Adjustment Concession Assets Note3(b) RM	As Restated RM
Balance sheet at 31 May 2007				
Group				
Property, plant and equipment	26,238,324	(2,204,572)	(8,041,005)	15,992,747
Investment properties	623,631	(400,831)	-	222,800
Prepaid lease payments	-	2,605,403	-	2,605,403
Concession assets	-	-	8,743,955	8,743,955
Retained profits	36,734,536	-	667,803	37,402,339
Minority interests	878,484	-	35,147	913,631

	As Previously Stated RM	Adjustment Concession Assets Note3(b) RM	As Restated RM
Income statement for the year ended 31 May 2007			
Group			
Cost of sales	182,448,760	(423,903)	182,024,857
Profit before tax	21,578,085	423,903	22,001,988
Profit for the year	14,037,556	423,903	14,461,459
Attributable to year:			
Equity holders of the Company	13,799,004	402,708	14,201,712
Minority interests	238,552	21,195	259,747
	14,037,556	423,903	14,461,459
Cash flow statement for the year ended 31 May 2007			
Group			
Depreciation of property, plant and equipment	2,584,108	(746,937)	1,837,171
Depreciation of concession assets	-	276,306	276,306
Depreciation of investment properties	4,929	(4,929)	-
Amortisation of prepaid lease payments	-	51,657	51,657

list of properties
as at 31 May 2008

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)	9 years	7,913,515
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	140,160
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	8,010,077
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	255,742
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
Lot 181 Mukim of Rawang District of Gombak State of Selangor	Industrial land for sale	Freehold	14/1/2002	54,569	N/A	1,091,380

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
HS(D) 106032 PT 19284 to HS(D) 106034 PT 19286 Mukim Batu, Segambut	Mandy Court M Avenue	Leasehold ending 2102	28/12/2002	278,696	N/A	17,796,710
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	8	2,157,843
168 lots of land held under HS(D) 41477 to 41506, PT No. 24239 to 24268; HS(D) 41509 to 41568. PT No. 24271 to 24330; HS(D) 42205 to 42212, PT No. 24968 to 24975; HS(D) 42312 to 42366, PT No. 24976 to 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 Feringgi, Daerah Timur Laut, Penang	Land for development (residential)	Freehold	17/04/2007	3.9075 hectares	N/A	9,673,151

statement of directors' shareholdings
as at 30 September 2008

THE COMPANY	Number of Ordinary Shares of RM1.00 each Direct Interest	%	Deemed interest	%
Tan Sri Dato' Kok Onn	3,370,000	2.86	34,005,100 (a)	28.83
Koay Teng Keong	279,000	0.24	55,000 (b)	0.05
Ling Hock Hing	310,000	0.26	-	-
Chan Ah Kam @ Chan Ah Thoong	179,000	0.15	5,000 (b)	0.00
Boey Tak Kong	201,000	0.17	-	-

(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 shareholding held by spouse by virtue of Section 134 of the Act.

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

Save as disclosed, none of the other directors has any interest in shares of the Company or its related corporations.

statistics on shares and convertible securities
as at 30 September 2008

SHARE CAPITAL

Authorised Share Capital	:	RM200,000,000
Issued & Fully Paid-Up Share Capital	:	RM117,963,037
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	8	0.17	385	0.00
100 - 1,000	1,247	26.54	1,218,354	1.03
1,001 - 10,000	2,568	54.66	11,913,075	10.10
10,001 - 100,000	776	16.52	23,702,023	20.09
100,001 - 5,898,150	97	2.07	47,124,100	39.95
5,898,151* and above	2	0.04	34,005,100	28.83
Total	4,698	100.00	117,963,037	100.00

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

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of Shares Held			
Name	Direct Interest	%	Deemed Interest	%
1. Sumber Raswira Sdn Bhd	17,046,900	14.45	-	-
2. Tan Sri Dato' Kok Onn	3,370,000	2.86	34,005,100 (a)	28.83
3. Meloria Sdn Bhd	16,958,200	14.38	-	-
4. Puan Sri Datin Chan Ngan Thai	-	-	16,958,200 (b)	14.38

(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.

THIRTY LARGEST SHAREHOLDERS

		No. of Shares	%
1.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged securities account for Sumber Raswira Sdn Bhd*	17,046,900	14.45
2.	OSK Nominees (Tempatan) Sdn Berhad *Pledged securities account for Meloria Sdn Bhd*	16,958,200	14.38
3.	Chia Ting Poh @ Cheah Ting Poh	5,000,000	4.24
4.	HSBC Nominees (Asing) Sdn Bhd *BNP Paribas Arbitrage (Hong Kong) Limited*	4,533,700	3.84
5.	EB Nominees (Tempatan) Sendirian Berhad *Pledged securities account for Kok Onn*	2,650,000	2.25
6.	Ke-Zan Nominees (Asing) Sdn Bhd *Kim Eng Securities Pte. Ltd. for Low Yoon Keong*	2,500,000	2.12
7.	HDM Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ting Keaw @ Law Lee See*	2,358,000	2.00
8.	Tan Poh Eng @ Tan Poh Ang	1,671,100	1.42
9.	Lim Hin	1,346,500	1.14
10.	Ting Keaw @ Law Lee See	1,205,000	1.02
11.	Citigroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lee Yoke Koon*	1,085,800	0.92
12.	Wu Chung Ta	1,072,000	0.91
13.	EB Nominees (Tempatan) Sendirian Berhad *Pledged securities account for Liew Swee Kong*	1,024,200	0.87
14.	Law Wan Cheen	1,000,000	0.85
15.	Yeoh Ah Tu	958,000	0.81
16.	Mayban Nominees (Tempatan) Sdn Bhd *Pledged securities account for Yeoh Ah Tu*	926,600	0.78
17.	Loo Chuen Far	850,000	0.72
18.	OSK Nominees (Tempatan) Sdn Berhad *Pledged securities account for Kok Onn*	720,000	0.61
19.	Yap Kheng Joon	662,000	0.56
20.	M.I.T Nominees (Tempatan) Sdn Bhd *Pledged securities account for Sim Choo Thiam*	639,100	0.54
21.	Ter Leong Hing	638,000	0.54
22.	Dato' Soo Lai Sing	600,000	0.51
23.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ng Teck Yong*	529,400	0.45

THIRTY LARGEST SHAREHOLDERS (Cont'd)

	No. of Shares	%
24. Affin Nominees (Tempatan) Sdn Bhd *EassetManagement Sdn Bhd for Ter Leong Hing*	516,000	0.44
25. Affin Nominees (Tempatan) Sdn Bhd *EassetManagement Sdn Bhd for Chan Yoke Yen*	467,000	0.39
26. Wong Fuei Boon	400,000	0.34
27. Lim Ean	378,000	0.32
28. Tan Kian Chuan	368,000	0.31
29. HDM Nominees (Tempatan) Sdn Bhd *Pledged securities account for Siew Koo Cheong*	360,000	0.31
30. Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Liew Swee Kong*	339,900	0.29
	68,803,400	58.33

ANALYSIS OF THE 2% IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS 2003/2008 ("ICULS") HOLDINGS

Class of security	:	ICULS
Issue Size	:	RM38,000,000 nominal value of ICULS
Amount converted	:	RM37,933,000
Amount outstanding	:	RM67,000

Size of ICULS Shareholdings	No. of ICULS Holders	%	No. of ICULS	%
Less than 99	0	0.00	0	0.00
100 - 1,000	2	33.33	2,000	2.99
1,001 - 3,350	0	0.00	0	0.00
Above 3,350*	4	66.67	65,000	97.01
	6	100.00	67,000	100.00

* *denotes 5% of the ICULS outstanding*

THIRTY LARGEST ICULS HOLDERS

Size of ICULS Shareholdings	No. of ICULS Held	%
1. Cheng Chai Chin	43,000	64.18
2. Ting Keaw @ Law Lee See	10,000	14.93
3. Chai Chi Ling	7,000	10.45
4. Lim Teh	5,000	7.46
5. Nee Kim Yip	1,000	1.49
6. Chan Kim Lian	1,000	1.49
	67,000	100.00

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting (AGM) of Gadang Holdings Berhad (the Company) will be held at Banquet Hall, Kuala Lumpur Golf & Country Club, No. 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 26th November 2008 at 10.30 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 2008 together with the Reports of the Directors and Auditors thereon. (Ordinary Resolution 1)

2. To approve the payment of a First and Final Dividend of 2.5 % per share less 26% income tax in respect of the financial year ended 31 May 2008. (Ordinary Resolution 2)

3. To approve the payment of Directors' fees of RM74,000.00 in respect of the financial year ended 31 May 2008. (Ordinary Resolution 3)

4. To re-elect the following Directors retiring pursuant to Article 108 of the Company's Articles of Association and who being eligible offer themselves for re-election:-

   (a) Datuk Wan Lokman Bin Dato' Wan Ibrahim (Ordinary Resolution 4)

   (b) Encik Adam Bin Bachek (Ordinary Resolution 5)

5. To re-elect Mr Boey Tak Kong who retires pursuant to Article 113 of the Company's Articles of Association and who being eligible offers himself for re-election. (Ordinary Resolution 6)

6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to determine their remuneration. (Ordinary Resolution 7)

AS SPECIAL BUSINESS

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

7. Authority to Directors to issue shares

   "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." (Ordinary Resolution 8)

8. Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature and for provision of financial assistance

   "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 4 November 2008 ("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." (Ordinary Resolution 9)

Notice of Dividend Entitlement and Payment Date

NOTICE IS ALSO GIVEN THAT the First and Final Dividend of 2.5% per share less 26% income tax, for the financial year ended 31 May 2008, if approved by the shareholders at the Fifteenth Annual General Meeting, will be paid on 15 January 2009 to Depositors whose names appear in the Record of Depositors on 31 December 2008.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

a. Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 31 December 2008 in respect of transfers; and

b. Shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD

Sally Tan Seok Chung
Secretary

Kuala Lumpur
4 November 2008

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.

4. **Explanatory note on Special Business**

   Ordinary Resolution 8 - Authority to Directors to issue shares
   The proposed Ordinary Resolution 8, if passed, will give the Directors of the Company authority to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. 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.

   Ordinary Resolution 9 - Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature and for provision of financial assistance
   The proposed Ordinary Resolution 9, 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 9 are set out in the Circular to Shareholders dated 4 November 2008 which is despatched together with this Annual Report 2008.

statement accompanying notice of annual general meeting

pursuant to Paragraph 8.28(2) of Listing Requirements of Bursa Malaysia Securities Berhad

1. The Directors standing for re-election at the Fifteenth Annual General Meeting are:-

   a) Datuk Wan Lokman Bin Dato' Wan Ibrahim

   b) Encik Adam Bin Bachek

   c) Mr Boey Tak Kong

2. The profiles of the Directors who are standing for re-election are set out on pages 5, 6 and 8.

3. The details of any interest in the securities of the Company and its subsidiaries (if any) held by the said Directors are stated on page 100 of the Annual Report 2008.

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NO. OF SHARES HELD	CDS ACCOUNT NO.

FORM OF PROXY

*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 Fifteenth Annual General Meeting of the Company to be held at Banquet Hall, Kuala Lumpur Golf & Country Club, No. 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 26 November 2008 at 10.30 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 First and Final Dividend		
3	To approve the payment of Directors' fees		
4	To re-elect Datuk Wan Lokman Bin Dato' Wan Ibrahim as Director		
5	To re-elect Encik Adam Bin Bachek as Director		
6	To re-elect Mr Boey Tak Kong as Director		
7	To re-appoint Messrs Ernst & Young as Auditors		
8	To authorize the Directors to issue shares		
9	To renew the shareholders' mandate for Recurrent Related Party Transactions		

* Strike out whichever not applicable

Dated this ______________ day of ______________________ , 2008

____
Signature of Member/Common Seal

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 (278114-K)
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 : gadang@tm.net.my

www.gadang.com.my