GADANG HOLDINGS BERHAD
(278114-K)

ANNUAL REPORT

Celebrating 20 Years

Accelerating Growth

Gadang over the last 20 years has played an important role in the rapid infrastructure development agenda throughout Malaysia and its neighbouring nations. As we commemorate our 20th anniversary this year, we are realigning our operating goals and repositioning our long-term objectives in our efforts to accelerating growth in a sustainable manner with focus on the key operating subsidiaries to improve revenue and profitability.

1993

- Incorporated as Lai Sing Holdings Berhad on 6 October 1993.

1994

- Listed on the Second Board of Kuala Lumpur Stock Exchange (now Bursa Malaysia Securities Berhad) with issued capital of 19.9 million.

1 *Bangunan UMNO, Shah Alam*

2 *Mechanized sewerage treatment plant, Shah Alam*

3 *Semi-Detached Factory, Shah Alam*

4 *Taman Bunga Negara, Shah Alam*

5 *Earthworks in Kota Masai, Johor*

1995

- Involved in earthworks (52%), building construction (31%) and infrastructure projects (17%) with contract value of less than RM20 million each.
- Secured an earthworks contract at Kota Masai, Johor Bahru worth RM42 million.

1996

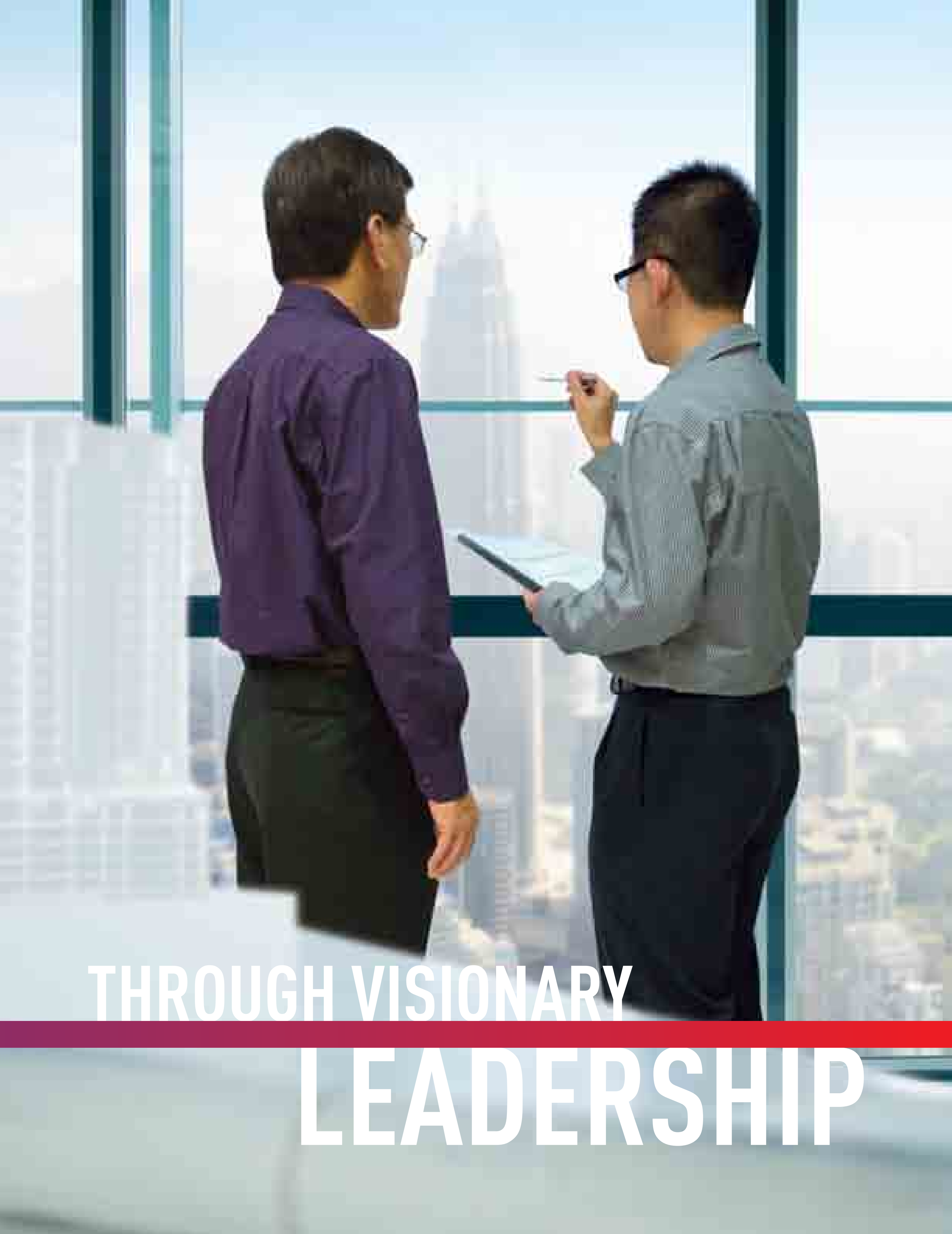
- Completed construction of Wisma Lai Sing (now Wisma Gadang) for use as the Group's headquarters.
- Diversified into property development with its maiden industrial project comprising 30 units double storey semi-detached factories in Shah Alam.

1997

- Tan Sri Dato' Kok Onn became the major shareholder and takes over operations of the company.
- Renamed as Gadang Holdings Berhad.
- Acquired 20 acres of freehold land in Tampoi, Johor Bahru, which has been approved for mixed industrial and commercial development.

ACCELERATING GROWTH

Gadang's leadership teams, both strategic and executive, have a single vision of building a reputable company that delivers quality products to its customers and positive returns to its shareholders. It is in furtherance of our united vision that impels us to ensure that our managers and team leaders have relevant expertise in their fields, share the desire to head towards our vision's direction, and are given the resources to fulfil it.



THROUGH VISIONARY LEADERSHIP

1998-20

1998

- Purchased 10.14 acres of leasehold land in Segambut for residential development.
- Secured projects worth more than RM100 million which included the bulk earthworks in Bukit Cerakah (Phase 1 and 2), Subang Bestari, Senawang and infrastructure works in Putrajaya.

1999

- Despite the difficult market condition, managed to secure projects worth approximately RM95 million, which included among others, structural concrete work of BASF Petronas Chemicals Acrylics Complex in Gebeng, Kuantan and infrastructure works for Phase 1, Precinct 10 in Putrajaya.
- Launched its first residential development project, Pangsapuri Puchong Permata which comprises low cost and medium cost apartments.

2000

- Secured some sizeable government contracts worth RM130 million to construct common utility trench package East & West, Bridge BR6 and earthworks for Parcel E, Precinct 1 in Putrajaya.

1 *National Millennium Monument, Putrajaya*

4 *Gebeng BASF Project*

2 *Fire Station, Cyberjaya*

5 *Bukit Tinggi main access road*

3 *Bridge BR6, Putrajaya*

2001

- Ventured into telecommunication business through its 51% owned subsidiary, Datapuri Sdn Bhd (DPSB) in which DPSB was contracted by TTdot Com Sdn Bhd to provide maintenance works.

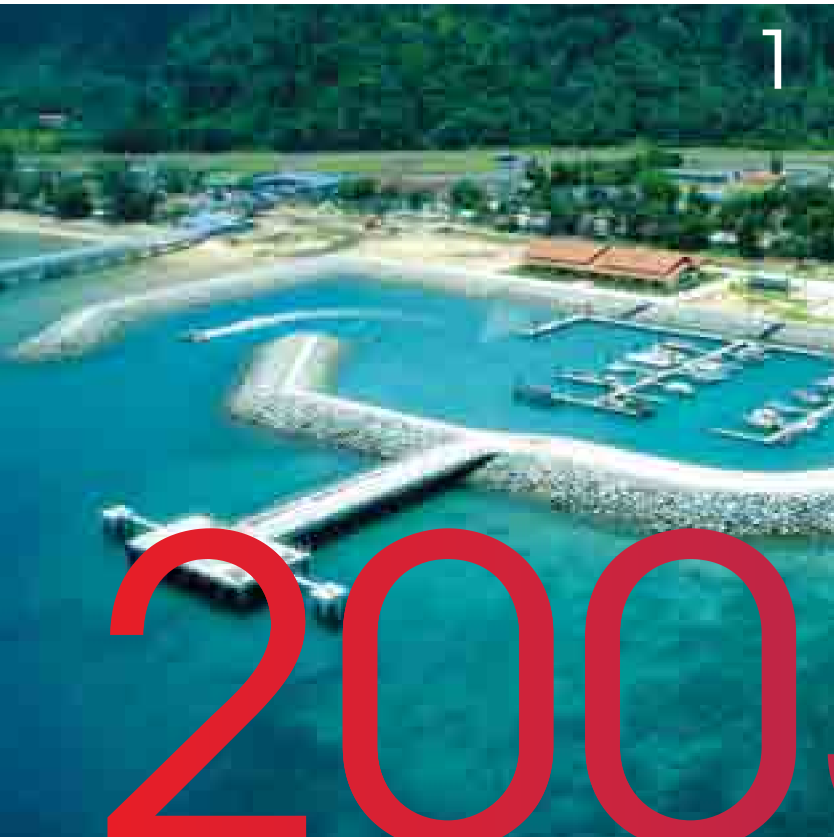
2002

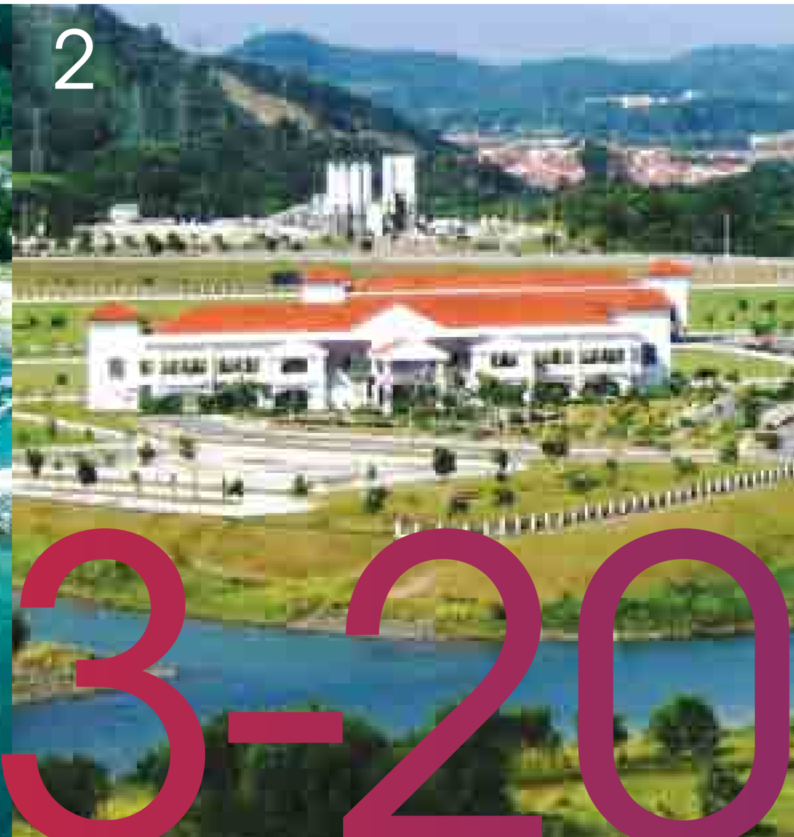
- Issued RM14.61 million nominal loan stocks to complete the purchase of lands in Tampoi, Johor Bahru and in Segambut, Kuala Lumpur.
- Completed rights issue and increased share capital to RM49.75 million.
- Implemented its first Employee Share Option Scheme (ESOS).
- Awarded the contract for construction of National Millennium Monument in Putrajaya at a contract sum of RM17.7 million.
- Diversified into design and build contracts for the construction of the main access road to Bukit Tinggi Resort, Pahang (Southern Loop) and a Fire Station in Cyberjaya with total contract sum of RM63.4 million.

ACCELERATING GROWTH

We are at the forefront of adopting proven new technologies and methodologies in order to enhance our productivity and product quality, increase our cost-effectiveness and improve our people's occupational safety. Gadang's various businesses are constantly well-positioned to use the latest in designs, techniques, materials and sustainable initiatives, while pursuing international certifications of quality.

THROUGH PURSUING INNOVATION

1 

2 

2003-20

2003

- Awarded the "ISO 9001:2000, Quality Management System" certification.
- Awarded additional design and build contracts for a marina development and infrastructure improvement work in Pulau Tioman valued at RM42 million and construction of the Equestrian Park at Putrajaya at a contract sum of RM58.1 million.
- Entered into a joint residential development to develop 20 acres of land into semi-detached houses and apartments known as Sri Aman Heights in Sungai Buloh.
- Launched RM170 million mixed development housing project in Segambut, comprising low- and medium-cost apartments.

2004

- Awarded the construction of a commercial complex at Mines Resort City valued at RM164 million.

07

1 *Pulau Tioman Marina Development*

2 *Equestrian Park, Putrajaya*

3 *Water Treatment Plant, PT. Taman Tirta Sidoarjo*

4 *M Avenue Office Suite, Segambut, Kuala Lumpur*

5 *LKSA*

2005

- Ventured into Indonesia for its maiden water supply concession by acquiring 100% stake in Singapore-based Asian Utilities Pte Ltd which owns the Indonesian water concession company, PT Taman Tirta Sidoarjo.
- Awarded the construction of an integrated commercial development Jaya 33 at Petaling Jaya for a contract sum of RM58.4 million.
- Completed a private placement of RM9.6 million and raised issued share capital to RM106.014 million.
- Diversified into mechanical and electrical (M&E) works through Datapuri Sdn Bhd.

2006

- Further expansion into the treated water supply concession in Indonesia with the acquisitions of PT Bintang Hytien Jaya and PT Sarana Catur Tirtakelola and PT Sarana Tirta Rejeki.
- Launched four (4) new property projects, valued over RM200 million, which included residential apartments, Mandy Court and shop office, M Avenue in Segambut, medium-cost apartments, Sri Ixora in Shah Alam and single storey terrace houses, Taman Pinggiran Pelangi in Rawang.

2007

- Completed second private placement of RM10.6 million and raised issued share capital to RM116.614 million.
- Acquired fifth water supply concession company, PT Hanarida Tirta Birawa in Indonesia.
- Awarded the contract to build the Kemuning – Shah Alam Highway (LKSA) in Shah Alam, Selangor valued at RM278.88 million.
- Transferred to Main Board (currently named as Main Market) on 24 December 2007.

ACCELERATING GROWTH

Throughout Gadang's 20 years of successful operations, we have continually and consistently sought to establish new portfolios while remaining true to our core principles. Our transformation and diversification exercises over time has led to our dominant position in industries as varied as property development, engineering, oil palm estate management and utilities.

THROUGH TRANSFORMATION

2008-20

2008

- Secured RM341 million Rehabilitation Hospital project in Cheras via a joint venture.

2009

- As part of the Group's diversification exercise, the Group also ventured into plantations, having signed 2 agreements to develop 5,200 acres of land into oil palm plantation in Sabah.

2010

- Secured RM291 milion earthworks contract for the new Low Cost Carrier Terminal 2 via a joint venture.
- Acquired 12.2 acres of leasehold residential land in Salak South, Sungai Besi, Kuala Lumpur with an estimated gross development value (GDV) of RM500 million.
- Completed rights issue and increased issued share capital to RM196.69 million.

13

1 *Rehabilitation Hospital In Cheras, Kuala Lumpur*

2 *Oil Palm Plantation*

3 *Runways Earthwork for New LCCT*

4 *Jentayu Residensi, Tampoi, Johore*

5 *KVMRT*

6 *The Vyne, Salak South*

2011

- Awarded RM23 million earthworks (Phase 1) contract at Sungai Buloh Depot for Klang Valley Mass Rapid Transit (KVMRT) project.
- Secured RM410 million Shah Alam Hospital project.
- Launched Jentayu Residensi, Tampoi, Johor Bahru, a commercial and residential development with a GDV of RM165 million.

2012

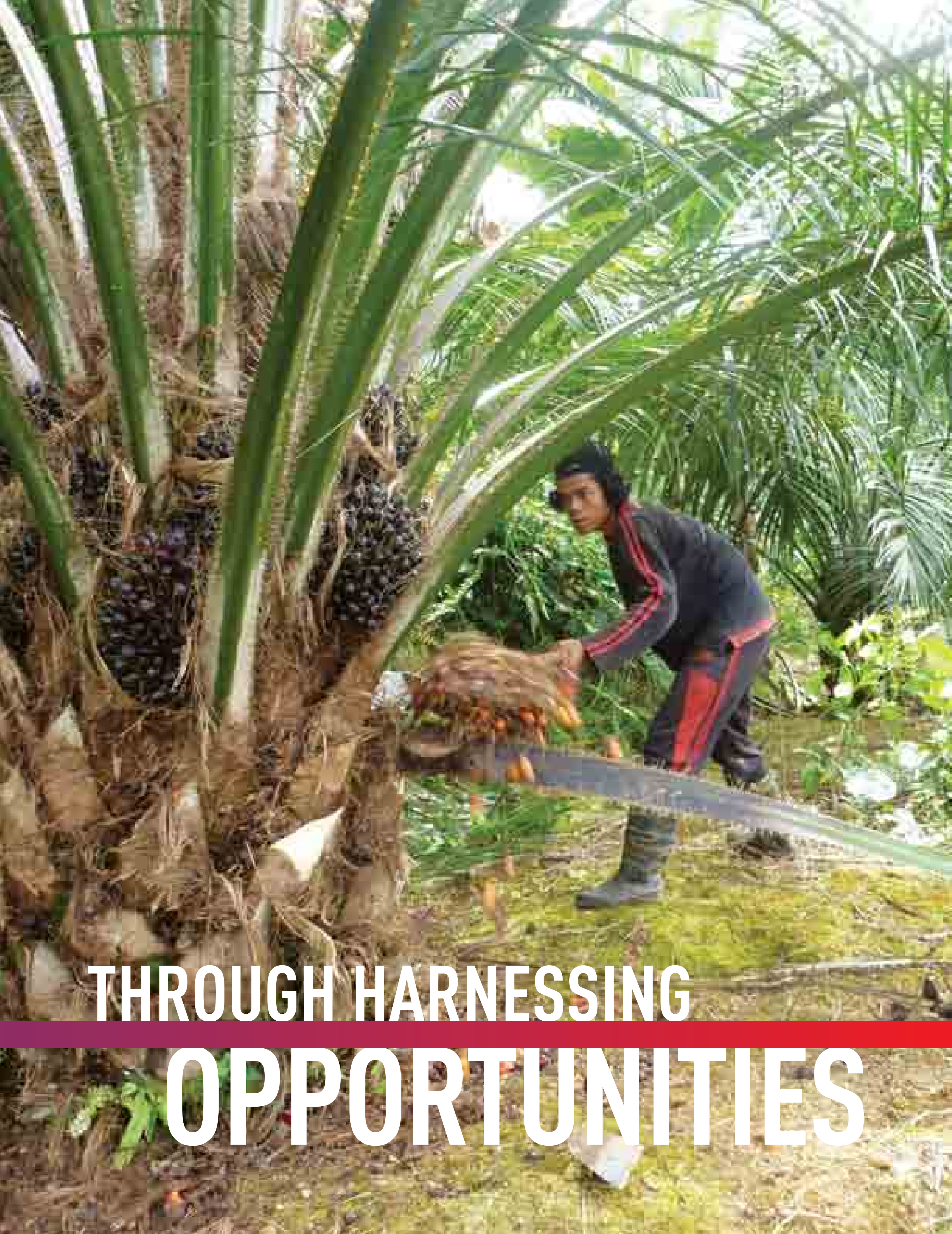
- Awarded RM863 million V2 package for the construction of the MRT viaduct guideway from Kota Damansara Station to Dataran Sunway Station.
- Secured RM312 million Phase 1 site preparation work for the Proposed Refinery and Petrochemical Integrated Development (RAPID) project located in Pengerang, Johor.
- Construction order book surpassed the RM1.0 billion mark for the first time.

2013

- Awarded the development of Cyberview's K-Workers Housing project comprising 2,500 housing units on 109.31 acres of land in Cyberjaya.

ACCELERATING GROWTH

Gadang does not view resting on our laurels and relying on “cash cow” enterprises to be an optimal business strategy. We have always aimed to remain agile, lean and aggressive in seeking out and entering new ventures and undertakings. This approach of ours has landed us some of Malaysia’s largest projects such as the new LCCT and our nation’s inaugural MRT system.



THROUGH HARNESSING OPPORTUNITIES

CONTENTS

20th

ANNUAL GENERAL MEETING

Date:
Tuesday
19th November 2013

Time:
10.00 a.m.

Venue:
Sime Darby Convention Centre

CORPORATE PROFILE

CIVIL ENGINEERING & BUILDING CONSTRUCTION

PROPERTY DEVELOPMENT

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

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

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

PLANTATION

UTILITY

MECHANICAL & ELECTRICAL ENGINEERING

FINANCIAL CALENDAR

for financial year ended 31 May 2013

ANNOUNCEMENT OF QUARTERLY RESULTS	
First Financial Quarter ended 31 August 2012	29 October 2012
Second Financial Quarter ended 30 November 2012	29 January 2013
Third Financial Quarter ended 28 February 2013	24 April 2013
Fourth Financial Quarter ended 31 May 2013	25 July 2013

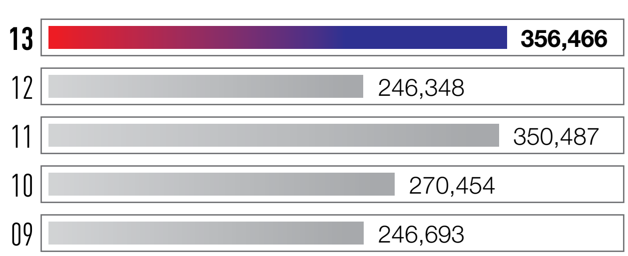
FIRST AND FINAL DIVIDEND	
Book Closure	30 November 2013
Payment	24 December 2013

PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS	
Notice of 20th Annual General Meeting	28 October 2013
20th ANNUAL GENERAL MEETING	19 November 2013

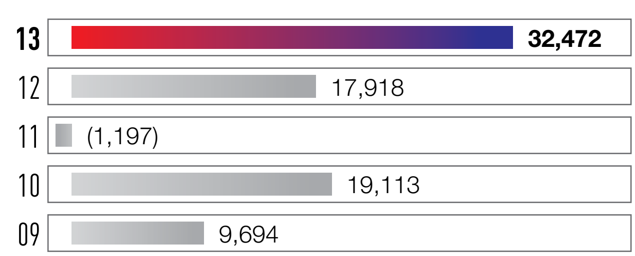
FINANCIAL HIGHLIGHTS

Year Ended 31 May (RM'000)	2013	2012	2011	2010	2009
TURNOVER					
Construction Division	265,665	189,127	299,836	201,264	177,562
Property Division	73,516	40,890	35,950	55,614	54,821
Utility Division	17,151	16,331	14,692	13,497	11,376
Plantation Division	134	-	-	-	-
Investment Holding and Others	-	-	9	79	2,934
	356,466	**246,348**	**350,487**	**270,454**	**246,693**
PROFIT/(LOSS) BEFORE TAX					
Construction Division	12,605	7,560	(10,879)	12,256	(2,371)
Property Division	19,087	10,864	8,668	9,208	9,866
Utility Division	4,236	2,170	3,175	(76)	1,217
Plantation Division	(830)	(761)	(498)	(447)	(11)
Investment Holding and Others	(2,626)	(1,915)	731	(1,828)	993
	32,472	**17,918**	**(1,197)**	**19,113**	**9,694**
Profit/(Loss) After Tax	20,663	13,735	(4,175)	13,887	3,545
Profit/(Loss) Attributable to Shareholders	20,470	14,451	(4,404)	14,916	3,030
Shareholders' Funds	262,589	245,850	230,493	184,969	170,659
Total Tangible Assets	500,343	447,426	496,828	428,710	359,406
Net Earnings Per Share (RM)	0.1041	0.0735	(0.0258)	0.1264	0.0257
Net Assets Per Share (RM)	1.35	1.27	1.19	1.60	1.49

TURNOVER RM'000



PROFIT BEFORE TAXATION RM'000



CORPORATE STRUCTURE

GADANG HOLDINGS BERHAD
(278114-K)

ENGINEERING AND CONSTRUCTION

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

UTILITY

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

PROPERTY INVESTMENT AND DEVELOPMENT

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

GENERAL TRADING

- 100% GLP Resources (M) Sdn Bhd

MECHANICAL AND ELECTRICAL WORKS

- 51% Datapuri Sdn Bhd

PLANTATION

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

** Dormant companies are not included here.*

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

KOK PEI LING
Executive Director

ADAM BIN BACHEK
Independent Non-Executive Director

BOEY TAK KONG
Senior Independent Non-Executive Director

SECRETARY

Tan Seok Chung, Sally
MAICSA 0829689

REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS

Wisma Gadang, No. 52 Jalan Tago 2
Off Jalan Persiaran Utama
Sri Damansara
52200 Kuala Lumpur
Tel. : (03) 6275 6888
Fax. : (03) 6275 2136
E-mail : corporate@gadang.com.my
Website : www.gadang.com.my

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel. : (03) 2264 3883
Fax. : (03) 2282 1886
E-mail : is.enquiry@my.tricorglobal.com

AUDITORS

PKF (AF 0911)
Chartered Accountants
Level 33, Menara 1MK
Kompleks 1 Mont' Kiara
No.1, Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur
Tel. : (03) 6203 1888
Fax. : (03) 6201 8880

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

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

PROFILE OF DIRECTORS

DATUK WAN LOKMAN BIN DATO' WAN IBRAHIM

Chairman and Independent Non-Executive Director

Datuk Wan Lokman Bin Dato' Wan Ibrahim, a Malaysian, aged 67, was appointed as a Director of Gadang Holdings Berhad ("Gadang" or "Company") on 19 May 1997. He was re-designated as Chairman of Gadang on 1 July 2008. He is a member of the Audit Committee and Nomination & Remuneration Committee.

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

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

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

TAN SRI DATO' KOK ONN

Managing Director cum Chief Executive Officer

Tan Sri Dato' Kok Onn, a Malaysian, aged 62, joined the Board on 10 March 1997 as the Joint Managing Director of Gadang and was subsequently appointed as the Managing Director cum Chief Executive Officer on 2 September 1997.

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

Tan Sri Dato' Kok Onn's exposure in the construction industry began in 1972 and has been involved in the industry for more than 41 years. He has gained extensive knowledge and experience in most aspects of civil and structural engineering schemes with various projects in Malaysia, China, Middle East and South Africa.

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



ADAM BIN BACHEK
Independent Non-Executive Director

Encik Adam Bin Bachek, a Malaysian, aged 64, was appointed as a Director of Gadang on 19 May 1997. He is the Chairman of the Audit Committee and a member of the Nomination & Remuneration Committee.

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

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

BOEY TAK KONG
Senior Independent Non-Executive Director

Mr Boey Tak Kong, a Malaysian aged 59, joined the Board on 3 December 2007 as an Independent Non-Executive Director. He is a member of the Audit Committee and the Chairman of the Nomination & Remuneration Committee.

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

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

His directorships in other public companies include Dutch Lady Milk Industries Berhad, Green Packet Berhad, Permaju Industries Berhad and Censof Holdings Berhad.

KOK PEI LING
Executive Director

Ms Kok Pei Ling, a Malaysian aged 31, joined the Board on 2 January 2013 as an Executive Director. She is currently the Company's Chief Financial Officer.

Ms Kok graduated from University of Melbourne, Australia with a Bachelor of Commerce (Finance and Management) Degree in 2003.

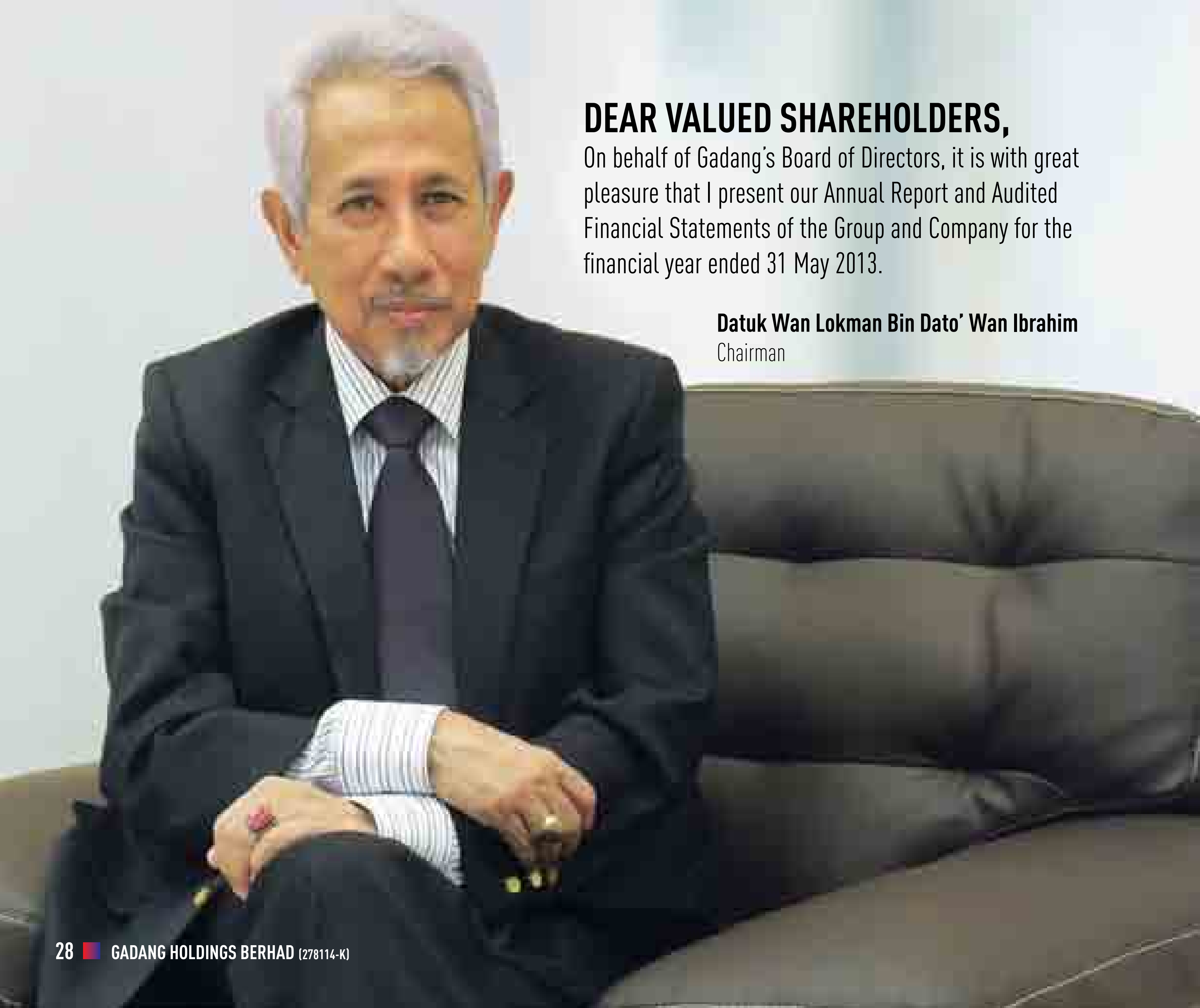
She began her career as a consultant for Corporate Recovery and Insolvency in BDO Capital Consultants Sdn Bhd from April 2004 to June 2006. She then joined OSK Investment Bank Berhad as an Associate for Debt Capital Markets from June 2006 to May 2007. Prior to joining Gadang in September 2009, she was the Assistant Manager (Investment Banking) of OCBC Bank (M) Berhad.

Other Information on Directors

None of the Directors has:

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

CHAIRMAN'S STATEMENT



DEAR VALUED SHAREHOLDERS,

On behalf of Gadang's Board of Directors, it is with great pleasure that I present our Annual Report and Audited Financial Statements of the Group and Company for the financial year ended 31 May 2013.

Datuk Wan Lokman Bin Dato' Wan Ibrahim
Chairman

Petronas Rapid Project- Package 1

Hospital Shah Alam

Plantation in Sabah

ECONOMIC OVERVIEW

The global economy for the year 2012 was characterized by the slow recovery and increased market pressure in securing new contracts. The pace of global growth in year 2013 remains uncertain and forecasts have been downgraded, especially in the Euro area. Growth rates in emerging market and developing economies have also been revised downwards, following slower external demand and continuing lower prices of commodities.

The Malaysia economy, however, remained resilient albeit the challenging global economic landscape, reaching commendable growth of 5.6% in 2012. Despite continued external uncertainty and volatility, domestic demand remained stable and robust for the property sector. A major contributor to the strong economic growth was the construction sector which expanded 18.5% from the previous year driven by the various large scale infrastructure projects initiated by the Federal Government. The pace of growth in the first quarter of 2013 moderated to 4.1% (4Q12: 6.5%), on account of continued contraction in the external sector. However, domestic demand will still continue its gradual growth though with more stringent controls over consumer spending initiated by financial institutions.

FINANCIAL REVIEW

Despite the more difficult business environment and market challenges faced, the Group achieved another financial milestone for the financial year ended 31 May 2013 ("FY2013"), achieving its best ever profit before tax of RM32.5 million since its incorporation, on the back of revenue of RM356.5 million. This represents growth of 81% and 45% respectively from previous financial year 2012 ("FY2012").

The Group's cash and cash equivalents have increased by RM93.7 million from FY2012 to RM95.4 million. Shareholders' funds stood at RM262.6 million, increased by RM16.7 million from FY2012. Net Assets per share improved to RM1.35 as compared to RM1.27 in FY2012.

DIVIDEND

In line with our better financial performance for FY2013, the Board of Directors is pleased to recommend a first and final dividend of 3.0 sen per share less 25% income tax, representing a dividend payout ratio of 29%, subject to the approval of shareholders at the coming Annual General Meeting.

Package V2 of KVMRT

CORPORATE DEVELOPMENTS

(1) On 19 September 2012, Elegance Sonata Sdn Bhd, a wholly-owned subsidiary of Gadang Land Sdn Bhd, which in turn is the wholly-owned subsidiary of the Company, had completed the disposal of two (2) parcels of freehold land in Penang to Blossom Acacia Sdn Bhd for a total cash consideration of RM31,544,845.

(2) On 5 April 2013, the Company had signed a Memorandum of Understanding with Cyberview Sdn Bhd ("Cyberview") to jointly undertake the development of Cyberview's K-Workers Housing Project comprising, inter alia, 2,500 residential units and 50 commercial units covering a total development area of 109.31 acres.

(3) On 2 May 2013, Asian Utilities Pte Ltd, an indirect wholly-owned subsidiary of the Company had entered into a Shares Subscription Agreement with PT. Ikhwan Power Indonesia, PT. Megatama Powerindo and PT. Ikhwan Mega Power ("PTIMP") to subscribe for 9,000 new shares of Rupiah ("IDR") 1,000,000 each representing 60% of the enlarged issued share capital of PTIMP for a total cash consideration of IDR9,000,000,000. PTIMP has executed a Power Purchase Agreement with PT. Perusahaan Listrik Negara ("PLN"), the state owned power supply company of Indonesia to develop and supply power to PLN for the duration of 15 years from a 9 Megawatt Mini Hydro Power Plant located in Kabupaten Tanah Datar, Sumatera Barat.

SUBSEQUENT EVENTS

(1) On 16 July 2013, Asian Utilities Pte Ltd, an indirect wholly-owned subsidiary of the Company has entered into a Conditional Sale and Purchase Agreement with Hj. Ratna Dewi Panduwinata to dispose off 5,800 shares representing its entire 65% equity interest in PT. Sarana Catur Tirtakelola ("SCTK") and 700 shares representing its entire 10% equity interest in PT. Sarana Tirta Rejeki ("STR"), for a total consideration of Indonesian Rupiah 6.5 billion. Upon completion, SCTK and STR will cease to be indirect subsidiaries of the Company.

(2) On 7 August 2013, the Company has accepted the Letter of Acceptance from Cyberview Sdn Bhd as the Developer Partner to develop K-Workers Housing Project comprising, inter alia, 2,500 residential units and 50 commercial units on 109.31 acres of land in Cyberjaya based on the terms and conditions therein and other terms and conditions to be mutually agreed by the Parties.

> **“We are encouraged by our order book value of some RM1.2 billion worth of new contracts in FY2013, with the Construction Division remains the core revenue generator for the Group.”**

OUTLOOK AND PROSPECTS

We are encouraged by our order book value of some RM1.2 billion worth of new contracts in FY2013, with the Construction Division remains the core revenue generator for the Group. The Group's Property Division continued to perform well with approximately RM425 million worth of property launches planned, with good progress in its on-going property project activities. The positive contribution from the Utility Division is expected to continue. To strengthen the Group's utility activities in Indonesia, on-going investment in mini hydro power plant is at its planning stage.

In the longer term, the Group will also benefit from its Plantation Division with a current planted area of some 5,180 acres.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to express my sincere appreciation and thanks to the management team and staff for their loyalty, commitment and dedication, that have contributed to the Group's success and to our shareholders, business associates, clients, bankers, subcontractors, suppliers and various government agencies for their confidence and trust in the Group which have supported the Group in its path to scale greater heights.

With all the continued support provided by both internal and external stakeholders, we look forward to another year of solid growth.

Datuk Wan Lokman Bin Dato' Wan Ibrahim
Chairman

MANAGING DIRECTOR CUM CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

DEAR VALUED SHAREHOLDERS,

The Group's performance in financial year ended ("FYE") 2013 was commendable despite a challenging operating environment due to more aggressive market competition and the growing economic uncertainty of the global economy.

We have registered in FYE 2013 the best net profit performance since our incorporation, coupled with a strong balance sheet that improves the net gearing to 0.29 times. Accordingly, the Group aims to become a sustainable and excellent performance organization by continuously investing in its human capital assets and cultivating an environment that thrives on best value-added construction engineering and property development services to further strengthen the foundations for the future.

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

CONSTRUCTION DIVISION

The Construction Division continues its growth momentum in FYE 2013 by recording revenue of RM265.7 million, an increase of 40% as compared to the preceding year, while profit before tax surged by 67% to close at RM12.6 million as compared to RM7.6 million in FYE 2012. This was due to the completion of the new Low Cost Carrier Terminal 2's earthworks contract and the higher work completion certified for on-going projects.

For FYE 2014, the Division will focus to accelerate its work progress on the current projects, namely Shah Alam Hospital project, Package V2 of Klang Valley Mass Rapid Transit (KVMRT) project and Site Preparation Work for the Refinery and Petrochemical Integrated Development (RAPID) project. As at 31 May 2013, the Division's outstanding order book was some RM1.4 billion.

Overall, the construction industry is expected to remain buoyant in FYE 2014 with the Group making great strides in executing our growth strategy and operational improvements to deliver better performance going forward.

PROPERTY DIVISION

The Property Division registered higher revenue of RM73.5 million for FYE 2013 as compared to RM40.9 million in FYE 2012. Profit before tax improved to RM19.1 million as compared to RM10.9 million in FYE 2012. The higher revenue and profit before tax were mainly attributed by the disposal of a piece of undeveloped land in Penang which is in line with the Group's direction to unlock and realize the value of its surplus land bank.

Hospital Shah Alam

The Vyne, Salak South

For FYE 2014, we have lined up some RM425 million worth of property project launches at various locations as follows:-

- The Vyne, a mixed development at Salak South, Kuala Lumpur. The project comprises 800 units of condominiums and 10 units of 3 storey shop offices;
- Phase 1 of Bandar Puncak Sena, an integrated township development at Pokok Sena, Kedah with total land area of 200 acres; and
- Phase 2 of Latitude 360, a commercial and residential development at Tampoi, Johor Bahru with total land area of 20 acres.

I am pleased to report that leveraging on our development expertise, we are to jointly develop the K-Workers Housing Project in Cyberjaya with Cyberview Sdn Bhd, a government owned entity. This development is part of the 1Malaysia People's Housing Programme (PR1MA) initiated by the Government to provide affordable homes. With an estimated Gross Development Value of RM1.06 billion, the development will features 2,500 residential units, comprising apartments and double-storey linked houses as well as 50 units of commercial development. Against this backdrop, we expect contribution from the Property division to strengthen further and to perform even better.

UTILITY DIVISION

The revenue from Utility Division increased marginally by 5.02% from RM16.3 million in FYE 2012 to RM17.2 million in FYE 2013. Profit before tax increased to RM4.2 million as compared to RM2.2 million recorded in the previous financial year. This positive and sustainable growth was attributed by the upward revision of the water tariff rate and stable increase in the demand for water sales.

Water treatment plant, Indonesia

Plantation in Sabah

Riding on the proven track record in Indonesia's utilities industry, our Utility Division has successfully made inroads into the mini hydro power supply concession in Indonesia. Moving forward, we will continue to strengthen our market presence in local concession industry.

PLANTATION DIVISION

The oil palm trees planted in 2009 have matured and harvesting had commenced in FY 2013. The loss before tax of RM0.8 million was mainly due to the amortization of its planting expenditure capitalized under biological asset.

The Plantation Division will be another strategic business segment to provide a reliable recurrent income stream for the Group. Currently, the Plantation Division is in negotiations with existing landowners for additional land for oil palm plantation development on joint venture basis.

CONCLUSION

Gadang is set on another momentous year ahead, with growth to be underpinned by high order book for Construction Division and planned multiple property development launches at choice locations for Property Division.

The strong financial performance for FYE 2013 has provided us with a solid foundation and we must continue to build on this momentum with greater focus on improving operational efficiency and realizing each business' full potential. Nonetheless, we remain mindful of the constant changes to the business landscape as we move ahead amidst increasing volatility in the global economy.

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

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 May 2013.

MEMBERSHIP

The members of the Audit Committee during the financial year ended 31 May 2013 comprised the following directors:-

Adam Bin Bachek - *Chairman*
Independent Non-Executive Director

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

Boey Tak Kong
Independent Non-Executive Director

Mr Boey Tak Kong who is a member of the Malaysian Institute of Accountants fulfills the financial expertise requisite under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). All the members of the Audit Committee are financially literate and are able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as members of the Audit Committee.

TERMS OF REFERENCE

The Audit Committee Terms of Reference are summarised as follows:-

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; and
    - 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; and
    - 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; and

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

MEETINGS AND ATTENDANCE

The Audit Committee held 5 meetings during the financial year ended 31 May 2013 and the details of attendance of each committee member are as follows:-

	No. of Meetings Held	Attended
Encik Adam Bin Bachek	5	5
Datuk Wan Lokman Bin Dato' Wan Ibrahim	5	5
Boey Tak Kong	5	4

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

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

TRAINING

During the financial year, the members of the Audit Committee have attended conferences, seminars and training programmes on the following topics:-

1. 10th Women's Summit 2012 – Break New Ground
2. Governance, Risk Management and Compliance: What Directors Should Know
3. Malaysian Code on Corporate Governance 2012
4. Managing Business Uncertainty For Competitive Advantage
5. Corporate Commercial Laws Updates
6. Corporate Fraud in Malaysia & Corporate Health Check
7. Corporate Governance & Whistle Blowing
8. Security: Kidnapping & Extortion
9. Too Many Bosses, Too Few Leaders
10. Fuelling The Economy: The Business of Palm Oil
11. CFO & Beyond
12. Securing Mobile Access in the Enterprise
13. CFOs & Finance Leaders Conference 2013
14. Managing Sustainable Transformation – From Good to Great

SUMMARY OF ACTIVITIES

During the financial year ended 31 May 2013, the Audit Committee discharged its functions and carried out its duties as set out in its Terms of Reference through the following activities:-

1. Financial Reporting

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

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

c. Reviewed the Audit Committee Report, Statement on Corporate Governance and Statement of Risk Management and Internal Control for insertion into the Company's Annual Report.

2. Internal Audit

a. Reviewed and approved the internal audit plan.

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

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

3. External Audit

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

b. Evaluated the performance and effectiveness of the external auditors and made recommendations to the Board on their re-appointment.

c. Reviewed with the external auditors, the audit plan of the Company and of the Group for the year (inclusive of audit approach, scope of work and audit fees) prior to the commencement of the annual audit.

4. 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.

- Reviewed the related party transactions entered into by the Company and its subsidiaries.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Board obtains adequate assurance on the effectiveness of system of internal control in the Group, through a programme of regular reviews and appraisals conducted by the outsourced internal auditors, which report directly to the Audit Committee. The Group's internal audit function is outsourced to KPMG Management & Risk Consulting Sdn Bhd. The internal auditors are responsible to undertake independent, regular and systematic reviews of the systems of financial and operational controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively.

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

The total cost incurred for maintaining the Internal Audit function for the year under review was RM49,858 comprising mainly professional fees and disbursements.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of Gadang Holdings Berhad recognizes the importance of good corporate governance and is committed to ensure that a high standard of corporate governance is practiced throughout the Company and its subsidiaries ("the Group") in discharging its responsibilities with integrity, transparency and professionalism to protect and enhance shareholders' value and the financial position of the Group.

Below is a statement and description in general on how the Group has applied all the eight (8) principles of the Malaysian Code on Corporate Governance 2012 ("the Code") and the extent to which it has complied with the recommendations of the Code.

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear functions of the Board and Management

The Board is collectively the primary decision-making body for all material matters affecting the Group. It also provides leadership, guidance and sets strategic direction.

The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Group is firmly in its hands. This includes, amongst others, reviewing and approving the following:-

- Strategic/business plans and annual budget.
- Risk management policy.
- Financial reporting, related party transactions and capital financing.
- New Investments, divestments, corporate restructuring, including the establishment of subsidiaries or joint ventures.
- Major capital expenditure.
- Appointment of new Directors, Chief Executive Officer (CEO) and other senior management positions based on recommendations of the Nomination and Remuneration Committee.

Other than as specifically reserved for the Board in the Board Charter, the Board delegates to the CEO and through the CEO to other senior management, the authority and responsibility for managing the daily affairs of the Group. The Board monitors management and their performance on behalf of its shareholders. At the senior management level, Gadang has a Group Management Committee ("GMC") which comprises the CEO and Gadang's top management team. The GMC meets every bi-monthly with the CEO to review and monitor the performances of the Group's operating divisions, review shared initiatives and update the operational policies.

1.2 Directors' roles and responsibilities

The Board assumes the following principal roles and responsibilities in discharging its fiduciary and leadership functions:-

a. Reviewing and adopting the strategic plans for the Group.

b. Overseeing the conduct and performance of the Company and subsidiaries to ensure they are being properly and appropriately managed. To discharge this duty, the Board will give specific and regular attention to:

   - monitoring performance against the strategic and business plans;
   - monitoring performance against industry's competing companies; and
   - enquiring into and following up on areas of poor performance and their root cause.

c. Identifying principal risks and ensuring the implementation of appropriate internal control systems to manage the identified risks.

d. Succession planning, including ensuring all the selected candidates for senior management positions are of sufficient caliber and relevant training programmes are in place to provide for an orderly promotion to senior management.

e. Overseeing the development and implementation of an effective communication policy for the Company.

f. Reviewing the adequacy and integrity of management information and internal control system of the Company

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

1.3 Formalised ethical standards through Code of Ethics

The Board has adopted a Code of Conduct/Ethics for Directors ("Code"). The Code was formulated to enhance the standard of corporate governance and promote ethical conduct of the Directors.

The Group has also in place a Group Code of Conduct that is applicable to all its employees to ensure a high standard of ethical and professional conduct is upheld by all its employees in the performance of their duties and responsibilities.

Further, in line with the Company's commitment in achieving and maintaining the highest standards of ethics, honesty, openness and accountability, the Company has implemented a Whistleblowing Policy & Procedure ("WPP") with the aim to provide an avenue for employees and external parties to raise concerns related to possible malpractices at the earliest opportunity, in an appropriate manner and without fear of reprisal or victimization. The Board has the responsibility to oversee the implementation of the WPP. The Group Managing Director/Chief Executive Officer, Group Chief Financial Officer and the Senior Independent Non-Executive Director are responsible for receiving report(s) made by the employees or external parties for the purpose of whistle-blowing in the form as prescribed under the WPP. The concern will then be deliberated with the Board to decide on the appropriate course of action.

1.4 Strategies promoting sustainability

The Board views the commitment to sustainability and environmental, social and governance performance as part of its broader responsibility to clients, shareholders and the communities in which it operates.

The Company's approach to sustainability is detailed in the Statement on Corporate Social Responsibility of this Annual Report.

1.5 Access to information and advice

The Management is able to consult Directors as required. Employees have access to the Directors directly or through the Company Secretary. Directors have access to any information relating to the Company's business and affairs in the discharge of their duties. Directors also have unrestricted access to Management and, in addition to the regular presentations made by Management to Board and Board Committee meetings, Directors may seek briefings or other additional information from Management on special matters, where appropriate. The Company Secretary also provides advice and support to the Directors as required. In order to assist Directors in fulfilling their responsibilities, each Director has the right (with the prior approval of the Chairman) to seek independent professional advice regarding his/her responsibilities, at the expense of the Company.

1.6 Qualified and competent Company Secretary

The Board is supported by a suitably qualified and competent Company Secretary who is responsible for advising the Board on issues relating to compliance with laws, rules, procedures and regulations affecting the Group, as well as the principles of best corporate governance practices. The Company Secretary is also responsible for advising the directors of their obligations and adherence to matters pertaining to disclosure of interest in securities and disclosure of any conflict of interest in a transaction.

The Company Secretary is responsible for the day-to-day operations of the Company Secretary's office including lodgements with Bursa Malaysia Securities Berhad ("Bursa Securities") and other regulatory authorities, the administrations of Board and Board Committee meetings (including preparation of meeting minutes), the management of dividend payments and resolutions passed are taken and maintained in the statutory register. The Company Secretary works closely with the Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees, and between the Non-Executive Directors and Management.

1.7 Board Charter

The Board has developed and adopted a formal Board Charter to provide a clear statement of the roles, responsibilities, processes and operations of the Board for the benefit of both the Board and management, and to ensure the practices of the Board are consistent with and reflect the Board's commitment to best practices in corporate governance.

The Board will regularly review this Charter and the Terms of Reference of its Committees and make any necessary or desirable amendments to ensure they remain consistent with the Board's objectives, current law and best practices.

The Board Charter comprises, amongst others, the following areas:-

- Responsibilities of the Board
- Role of Chairman
- Role of CEO
- Role of Non-Executive Director
- Composition
- Performance
- Board Committees
- Meetings
- Code of Conduct
- Schedule of matters reserved for collective decision by the Board

2.0 STRENGTHEN COMPOSITION

2.1 Nomination & Remuneration Committee

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

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

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

Encik Adam Bin Bachek
(Independent Non-Executive Director)

The specific responsibilities of the Nomination and Remuneration Committee in relation to remuneration and nomination matters are set out under the terms of reference including:

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

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

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

- To regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;

- To assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director on an annual basis, including the independence of the Independent Non-Executive Director;

- To recommend to the Board on the re-appointment/re-election of Directors to the Board;

- To give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the board in the future;

- To be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;

- To recommend to the Board concerning the re-appointment of any independent non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;

- To recommend to the Board concerning the re-election by shareholders of directors under the provision of the Companies Act, 1965 or the retirement by rotation provision in the Company's Articles of Association, having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required; and

- To review induction and training needs of Directors.

During financial year 2013, the activities of the Nomination & Remuneration Committee are as follows:-

Remuneration Matters
- Appraising and determining the employment packages for the Executive Directors of the Group.
- Reviewing and implementing the new remuneration framework for Non-Executive Directors.

Nomination Matters
- Conducting individual, peer and Board assessment.
- Evaluating new candidate to be appointed as Director.
- Reviewing the tenure of Independent Directors and their independence.
- Nominating the directors who are due for retirement by rotation and are eligible to stand for re-election.
- Evaluating and determining the training needs of the Directors.

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

2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors

a. Recruitment or Appointment of Directors

Nominations for appointment to the Board are considered by the Board as a whole. The Board's overall skill composition is reviewed annually by the Board as part of its performance review. The general attributes required of a Director include ability to exercise sound business judgement, demonstrate strong performance focus, display leadership quality, and a willingness to devote the required time commitment to the Board's affairs, and with good reputation and integrity.

b. Annual assessment

The Board undertakes an annual assessment of its own performance, its Committees and individual Directors.

The Nomination and Remuneration Committee reviews annually, the effectiveness of the Board and Board Committees as well as the performance of individual directors. The evaluation involves individual Directors and Committee members completing separate evaluation questionaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered. They also undertook a self-review and a peer review in which they assessed their fellow Directors' performance. The results were compiled and analysed by the Company Secretary and presented at Board meeting. The evaluation process concluded that during the year, the Board and its main Committees had functioned well with a good balance of the necessary skills required and that the individual Directors had also met the standards expected of them, with each making strong contributions, generally and through the knowledge derived from their specialised areas of expertise.

c. Gender diversity policy

The Company acknowledges gender diversity as essential for good governance. On 2 January 2013, the Board appointed Ms Kok Pei Ling as an Executive Director of the Company through the recommendation of the Nomination & Remuneration Committee. Following Ms Kok Pei Ling's appointment, the Board has one female Director out of five Directors. Female representation as a percentage of the full Board is 20%. The Board is comfortable with its current composition.

d. Appointment of Senior Independent Non-Executive Director

In compliance with the code which provides that the Chairman of the Nominating Committee should be the Senior Independent Non-Executive Director identified by the Board, Mr Boey Tak Kong who is the Chairman of the Nomination & Remuneration Committee was appointed as the Company's Senior Independent Non-Executive Director in place of Encik Adam Bin Bachek on 26 July 2012.

2.3 Remuneration policies

The policy practiced on Directors' and senior management's remuneration by the Nomination & Remuneration Committee is to provide the employment packages necessary to attract, retain and motivate Directors of the calibre required to manage the business of the Group. The Nomination and Remuneration Committee is responsible for the recommendation of the remuneration and other benefit packages of Non-Executive Directors, Executive Directors and senior management of the Group, for approval by the Board. The component parts of their remuneration are structured so as to link rewards to individual performance and of the Group which include salary, allowances, bonuses and benefits-in-kind, in the case of the Executive Directors and senior management. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

The current remuneration policy for the Non-Executive Directors comprises the following:-

a. Directors' Fees

All Non-Executive Directors of the Company are paid a sum of RM50,000 per annum as directors' fees.

b. Meeting Attendance Allowance

The Non-Executive Directors are paid a sum RM500 per meeting as attendance allowances for Board, Board Committee and general meetings that they attend.

c. Benefits-in-kind and Emoluments

Non-Executive Directors do not receive any performance related remuneration. However, they are given other allowance, such as leave passage.

The Executive Directors are not entitled to the above Director's fees nor are they entitled to receive any meeting allowance for Board or Board Committee or general meetings.

The Executive Directors' remuneration package comprises a fixed component which includes a monthly salary, bonus and benefits-in-kind/emoluments, such as company car, driver and leave passage.

In addition to the above, the Directors have the benefit of Directors and Officers (D&O) Liability Insurance in respect of any liablilities arising from acts committed in their capacity as Directors of the Company.

The aggregate Directors' Remuneration paid or payable to the Directors by the Company and its subsidiaries for the financial year ended 31 May 2013 is as follows:-

Directors	Fees RM	Salary and other emoluments* RM	Benefits-in-kind RM	Total RM
Executive Director				
Tan Sri Dato' Kok Onn	-	586,500	2,933	589,433
Kok Pei Ling *(appointed on 2 Jan 2013)*	-	98,188	-	98,188
Non-Executive Directors				
Datuk Wan Lokman Bin Dato' Wan Ibrahim	50,000	22,000	-	72,000
Adam Bin Bachek	50,000	22,000	-	72,000
Boey Tak Kong	50,000	21,000	-	71,000
Total	**150,000**	**749,688**	**2,933**	**902,621**

* Include leave passage and meeting allowance for Non-Executive Directors

3.0 REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The diverse experience and backgrounds of the Non-Executive Directors ensure that they can debate with, and constructively challenge Management both in relation to the development of strategy and in relation to operational and financial performance. To determine their independence, all Non-Executive Directors are reviewed annually against any circumstances relevant to their current or ongoing independence as set out in the Code and Listing Requirements of Bursa Securities. Following such review, the Board considers all the Non-Executive Directors to be independent and free of any circumstances that could materially interfere with their ability to provide a strong, valuable contribution to the Board's deliberations, or which could interfere with the Director's ability to act in the best interests of the Group.

3.2 Tenure of Independent Directors

Both Datuk Wan Lokman Bin Dato' Wan Ibrahim and Encik Adam Bin Bachek who were appointed on 19 May 1997, have served as Independent Non-Executive Directors for a cumulative terms of more than nine years. Based on the results of assessment that both have met the independence criteria, have the ability to exercise independent judgement at all times and contributed to the effective functioning of the Board, the Board has recommended that the approval of the shareholders be sought to retain them as independent directors of the Company.

3.3 Separation of positions of the Chairman and CEO

The roles of the Chairman and Group Managing Director/CEO are separate and clearly defined. This ensures a balance of power and authority. The Chairman leads the Board and is responsible for ensuring its effectiveness. The Group Managing Director/CEO is responsible for the day-to-day running of the business, satisfactory execution of the policies and decision-making on operational matters.

3.4 Composition of the Board

The Board currently comprises three Independent Non-Executive Directors and two Executive Directors. The structure and composition of the Board comply with the Main Market Listing Requirements ("MMLR") of Bursa Securities and the Code. The number of Independent Directors exceeds the requirement that one-third of Board Members be independent as set out in the MMLR of Bursa Securities and the Code. A brief profile of each Director is presented on pages 26 and 27 of this Annual Report.

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

4.0 FOSTER COMMITMENT

4.1 Time commitment

The Board is satisfied with the level of time commitment given by the Directors toward fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board meetings during the financial year ended 31 May 2013 as set out in the table below:-

Directors	No. of Meetings Attended	Percentage
Datuk Wan Lokman Bin Dato' Wan Ibrahim	6/6	100%
Tan Sri Dato' Kok Onn	6/6	100%
Encik Adam Bin Bachek	6/6	100%
Mr Boey Tak Kong	5/6	83%
Ms Kok Pei Ling*	2/3	67%

* Appointed as Director on 2 January 2013

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, the Directors are required to submit an update on their other directorships in public and private limited companies half yearly.

In order to facilitate the directors' time planning, an annual meeting calendar with scheduled dates of the Board and Committee meetings are prepared and circulated to them before the beginning of every year.

4.2 Training

All Directors have attended the Mandatory Accreditation Programme as required by Bursa Securities. The Directors are mindful that they should receive appropriate continuous training by attending seminars and courses to keep themselves abreast on matters relating to their duties and responsibilities as Directors. The Board delegates his role to the Nomination and Remuneration Committee, which in turn assesses the training needs for the Directors.

Directors also receive regular business briefings at Board meetings. These briefings are intended to provide Directors with information on each area of the Company's business, in particular regarding performance, key issues, risks and strategies for growth. In addition, Directors have the opportunity to participate in site visits from time to time.

The Company Secretary will also facilitate in organizing internal and external programmes, training sessions, workshops and seminars for Directors.

The details of the training programmes attended by the Directors during the financial year ended 31 May 2013 are summarized below:-

1.	**Datuk Wan Lokman Bin Dato' Wan Ibrahim** • Managing Business Uncertainty For Competitive Advantage • Managing Sustainable Transformation – From Good to Great	 18 Oct 2012 23 May 2013
2.	**Tan Sri Dato' Kok Onn** • Managing Business Uncertainty For Competitive Advantage • Managing Sustainable Transformation – From Good to Great	 18 Oct 2012 23 May 2013
3.	**Adam Bin Bachek** • Governance, Risk Management and Compliance: What Directors Should Know • Managing Sustainable Transformation – From Good to Great	 3 Aug 2012 23 May 2013

4.	**Boey Tak Kong**		
	• 10th Women's Summit 2012 – Break New Ground		17 July 2012
	• Malaysian Code on Corporate Governance 2012		6 Sept 2012
	• Corporate Commercial Laws Updates	}	31 Oct 2012
	• Corporate Fraud in Malaysia & Corporate Health Check	}	
		}	to
	• Corporate Governance & Whistle Blowing	}	
	• Security: Kidnapping & Extortion	}	2 Nov 2012
	• Too Many Bosses, Too Few Leaders		6 Nov 2012
	• Fuelling The Economy: The Business of Palm Oil		15 Mar 2013
	• CFO & Beyond		28 Mar 2013
	• Securing Mobile Access In The Enterprise		15 May 2013
	• CFOs & Finance Leaders Conference 2013		17 May 2013
5.	**Kok Pei Ling**		
	• Managing Sustainable Transformation – From Good to Great		23 May 2013

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

5.0 UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with applicable financial reporting standards

The Board aims to provide a balanced and meaningful assessment of the Group's financial performance, position and prospects, primarily through the issuance of audited annual financial statements and quarterly announcement of results to the shareholders as well as the Chairman's statement and review of operations in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting. A full Audit Committee Report detailing its composition, terms of reference and a summary of activities during the year is set out on pages 36 to 38 of this Annual Report.

5.2 Assessment of suitability and independence of external auditors

The Audit Committee is responsible for the annual performance review and nomination for appointment by the Board of the Company's independent external auditors. The Audit Committee reviews the effectiveness, objectivity and independence of the external auditors, considers the external annual plan and proposed fees. After having satisfied itself with their performance, the Audit Committee will recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the AGM.

6.0 RECOGNISE AND MANAGE RISKS

6.1 Sound framework to manage risks

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 Group has in place a Risk Management Policy which is reviewed yearly to ensure it remains relevant and up-to-date. As required by the policy, the management operates a risk management process to identify, evaluate and report significant risks within the business and to report to the Board on how those risks are being managed. Risks are highlighted through a number of different reviews and culminate in a risk register, monitored by the Risk Management Committee across the Group, which identifies the risk area, the probability of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level. All the risk registers are available for review by senior management of each business and provided quarterly to the Board.

6.2 Internal audit function

The Group has outsourced its internal audit function to KPMG Management & Risk Consulting Sdn Bhd. The internal auditors reports to the Audit Committee periodically on its assessment of reviews covering the financial, operational and compliance control as well as risk management. Details of the Company's internal control system and framework are set out in the Statement of Risk Management & Internal Control in this Annual Report.

7.0 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Company has in place an investor relations policy approved by the Board. This policy provides a framework for the Board and the employees to communicate effectively with the Company's shareholders, investors, stakeholders, external parties and the general public. The policy deals with the following:-

- Corporate disclosure process;
- Primary Spokesperson;
- Financial Reports and the Annual General Meeting;
- Briefing and meetings;
- Reports and rumours;
- Forward-Looking Information and Comment;
- Major Corporate Developments; and
- The Company's Website.

7.2 Leverage on information technology for effective dissemination of information

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. Various announcements and disclosures to the Bursa Securities made via Bursa LINK, 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.

8.0 STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND SHAREHOLDERS

8.1 Encourage shareholder participation at general meetings

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

At the AGM, the Group Managing Director/CEO or the Group Chief Financial Officer (CFO) will conduct a brief presentation on the Group's performance for the year and future prospects. Shareholders are also encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Answers and clarifications, where appropriate, are provided by the Directors and senior management of the Company.

The Company's external auditors are also required to attend each AGM and be available to answer questions about the conduct of the audit, and the preparation and content of the auditor's report. Notices of meeting are accompanied by explanatory notes on the items of business and together they seek to clearly and accurately explain the nature of the business of the meeting.

Shareholders, if unable to attend the meeting, are encouraged to vote on the motions proposed by appointing a proxy. The proxy form included with a notice of meeting will clearly explain how the proxy form is to completed and submitted.

8.2 Encourage poll voting

At the 19th AGM of the Company held on 21 November 2012, no substantive resolutions were put forth for shareholders' approval, other than pertaining to the adoption of the ordinary business, authority to directors to issue shares, recurrent related party transactions and approval for independent non-executive directors to continue in office.

As such, the resolutions put for the shareholders' approval at the 19th AGM were voted on by a show of hands.

8.3 Effective communication and proactive engagement

The Company recognises the importance of communicating with its shareholders to ensure that its strategy and performance is understood and that it remains accountable to shareholders.

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's website, www.gadang.com.my provides an avenue for providing information about the Company and the Group and receiving feedback from the stakeholders.

Mr Boey Tak Kong has been identified and appointed as the Senior Independent Non-Executive Director, to whom any queries and concerns pertaining to the Company may be conveyed. His contact details are as follows:-

Tel No. : 6012-6575641
Email : tkboey22@gmail.com

COMPLIANCE STATEMENT

The Board is satisfied that in 2013, the Company has been in compliance with the provisions as set out in the new Code.

This Statement is made in accordance with the resolution of the Board dated 7 October 2013 .

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BOARD RESPONSIBILITY

The Board of Directors ("Board") recognizes the importance of maintaining a sound risk management framework and internal control system for good corporate governance and efficient work processes. 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 Board has received assurance from the Group Managing Director/Group Chief Executive Officer and Chief Financial Officer that the Group's risk management and internal controls system are operating adequately and effectively in all material aspects, based on the risk management and internal controls system of the Group.

The system of internal control covers not only financial controls but also non-financial controls relating to operational management, 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

Risk management is firmly embedded in the Group's management systems. To manage risk in our activities and ensure they are aligned with the Group's strategic objectives, the Group has in place a Risk Management Policy which is reviewed annually to ensure it is relevant and adequate to manage the organization's risks, which continue to evolve along with the changing business environment. The Board is committed to an integrated risk thought process which encompasses the four key elements as follows:-

- Risk governance framework
- Risk appetite
- Risk management processes
- Risk culture

Risk Governance Framework
Risk Appetite
Risk Management Processes
Risk Culture Strong Corporate Governance Organizational Structure With Clearly Defined Roles & Responsibilities Effective Communication & Training Commitment To Compliance With Laws, Regulations and Internal Controls Integrity In Fiduciary Responsibilities Transparent & Clear Policies, Procedures & Guidelines

The Board strongly believes that prudent risk management is vital for business sustainability and the progressive enhancement of shareholder value.

The Risk Management Committee oversees the risk management activities of the Group. The appointed Risk Manager facilitates an ongoing process to identify, evaluate, manage and monitor significant risks the Group faces in its businesses and operations. The risk owners update their Key Risk Registers at specific intervals i.e. half-yearly basis for Company level risks and quarterly basis for project-specific risks. At the same intervals the Risk Manager submits reports on these updates to the Risk Management Committee and the Board, highlighting the key risks and the progress of action plans to manage these risks.

CONTROL ENVIRONMENT AND ACTIVITIES

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

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

1. Authority and responsibility

a) Certain responsibilities are delegated to Board Committees through clearly defined Terms of Reference (TOR) which are reviewed as necessary.

b) The Authority Limits document is reviewed from time to time to reflect the authority and authorization limits of Management.

2. Planning, monitoring and reporting

a) An annual planning and budgetary exercise is undertaken requiring all divisions to prepare business plans and budgets for the forthcoming year, which are deliberated upon and approved by the Board before implementation.

b) Updates on the Group's performance against budget are provided to the Board on a quarterly basis. Financial performance variances are explained to the Board.

c) There is a regular and comprehensive flow of information to the Board and Management on all aspects of the Group's operations to facilitate the monitoring of performance against the Group's corporate strategy and business plan.

3. Policies and procedures

Policies and procedures are formalized to put in place/ strengthen controls for financial management and operations. These policies and procedures are reviewed and updated as necessary.

4. Financial reporting

Adequate processes and controls are in place to ensure proper and correct recording of financial information and timely generation of up-to-date financial statements, including the consolidated condensed financial statements. 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.

5. Management meetings

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

6. Internal audit function

The Group has outsourced its internal audit function to KPMG Management & Risk Consulting Sdn Bhd ("KPMG"). The Internal Auditors assist the Audit Committee in the discharge of its duties and responsibilities to independently review and report on the adequacy and integrity of the Group's financial reporting, internal control systems and risk management practices.

Internal Auditors provide independent assurance on the adequacy and integrity of the Group's 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 the Internal Auditors. 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 the operating management. On a half-yearly basis the Audit Committee reviews internal audit findings and recommendations on internal control improvements and management's response and action thereto.

CONCLUSION

The Board is satisfied that the risk management and internal controls system are operating adequately and effectively for the year under review, and up to the date of approval of this Statement. The internal controls are sound and sufficient to safeguard shareholders' investment, the interests of customers, regulators, employees and other stakeholders, and the Group's assets.

REVIEW OF THIS STATEMENT

Pursuant to paragraph 15.23 of the Main Market Listing Requirements, the External Auditors have reviewed this Statement for inclusion in the 2013 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

Gadang Group recognises that good Corporate Social Responsibility ("CSR") embraces all aspects of sustainable development and the way it affects people through its business operations.

CSR is part and parcel of the way we do business. By adopting best practice across all aspects of our business, by constantly seeking initiatives which add value, by building partnerships with customers and our supply chain, by investing in the training and development of our employees and by treating health and safety and environmental issues with priority, we aim to achieve the future sustainability of our business in a responsible way.

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

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

WORKPLACE

The Group believes that human capital development is very important to ensure that the Group has the right and relevant skill and knowledge in ensuring business sustainability and growth. The Group aims to attract, retain and motivate the highest caliber of employees within the context of an operating structure that encourages their contribution and development.

Continuous training and development programs are provided for staff internally and externally to equip them with both the skills and knowledge necessary to perform their current work, and the opportunities to demonstrate their ability to advance within the Group.

The Group also emphasized on the importance of the employees' health and well-being at the workplace. Besides providing a health and hospitalization for the staff, health and safety talks are held on a regular basis to instill a health-conscious mind among the staff. Efforts are continually made to create awareness on the collective responsibility among the employees for the prevention of injuries and occupational health hazards and the assurance of public safety when carrying out its business operations.

The Group seeks to recognize and honor the loyalty of employees who have helped to build the Group over a long period of time. Long Service Awards are presented to those employees serving more than 15 years of service. The awards were presented with the primary objectives of motivating staff to develop their career with the Group and rewarding them for their dedication and commitments towards the development and growth of the Group. During the Company's 20th Anniversary Dinner on 6 October 2013 at the Mandarin Oriental Hotel Kuala Lumpur, 60 employees were recognised for their loyal service and were presented with Long Service Awards for completing either 15 or 20 years' service with the Group.

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

To ease the financial burden of the staff with school-aged children, particularly during the beginning of a new schooling year, the Group distributed a one-off RM200 schooling aid to each of their school-aged children in December 2012. A total of 175 pupils had received the aid totaling RM35,000.

COMMUNITY

The Group encourages all our business to support the particular needs of their communities by contributing to local charities and community initiatives. Support takes the form of employee time and skills, gifts in kind and cash donations.

During the year, the Group made various contributions to charitable organisations such as Rumah Sejahtera Rumah Orang Tua Bidor, Majlis Pusat Kebajikan (M) Negeri Perak, Majlis Pusat Kebajikan Daerah Tanjung Malim, Majlis Pusat Kebajikan Cawangan Kampar, Pemegang Amanah Yayasan Kebajikan SSL Strok dan Pembangunan Masyarakat Berdaftar, Persatuan Pusat Kebajikan Insan Malaysia, Oriental Daily Sdn Bhd (Charity Account), Yayasan Sin Chew and Persatuan Belia Prihatin Malaysia, amongst others.

On 21 September 2013, in conjunction with the celebration of Mid-Autumn and while celebrating the Company's 20th Anniversary, Gadang Sports Club hosted a special charity luncheon themed "Beam with Festivity and Joy" at HGH

Convention Centre, Sentul, Kuala Lumpur for some 700 old folks and orphans from 22 charitable organisations around Klang Valley. The hall was filled with smiles and laughter throughout the luncheon as the underprivileged community mingled with each other and were entertained with various interesting performances while indulging in a sumptuous meal.

Besides this, they also received ang pow and goodie bags sponsored by the Group and the employees. To support the efforts of these homes in caring and providing shelter for the underprivileged community, each home was presented with a cash donation of RM5,000. The Group finds it a privilege to be able to lighten up the underprivileged community's lives. Bringing joy to these orphans and old folks and seeing the smiles on their faces is something it will look forward to every year.

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

As part of the Group's social responsibilities, the Company has set up an Education Scholarship Fund known as "Gadang Scholarship" to award scholarships to deserving and financially challenged local undergraduates on a yearly basis. This year a total of RM110,000 was approved to be given to 4 students for their personal education.

MARKETPLACE

At the marketplace, the Group maintains high standards of corporate governance, ethics and honesty in all our dealings, and operate in compliance both with Bursa Securities listing requirements and the local laws wherever we work.

ENVIRONMENT

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

The Group also seeks to promote sustainable development by conserving energy, materials and resources through minimizing consumption, maximizing efficiency and effectively managing waste.

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

ADDITIONAL COMPLIANCE INFORMATION

- **Share Buybacks**
  The Company did not undertake any share buybacks during the financial year.

- **Options, Warrants or Convertible Securities**
  No options or convertible securities were issued by the Company during the financial year. No warrants 2010/2015 were exercised during the financial year.

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

- **Non-audit Fees**
  The amount of non-audit fee payable to the external auditors by the Group for the financial year is RM3,500.

- **Profit Guarantees**
  There were no profit guarantees given by the Company during the financial year.

- **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 21 November 2012, the Company had obtained a mandate from its shareholders to allow the Company and/or its subsidiaries ("Gadang Group") to enter into recurrent related party transactions of a revenue or trading nature and provision of financial assistance ("Recurrent Transactions") with related parties.

In accordance with Paragraph 10.09(2)(b) of Bursa Securities Main Market Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended 31 May 2013 pursuant to the said shareholders' mandate are as follows:-

Name of Related Party	Relationship	Nature of Transactions	The Company	Aggregate Value RM'000
Kok Khim Boon	Kok Khim Boon is the brother of Tan Sri Dato' Kok Onn ("TSDKO") who is the Managing Director cum Chief Executive Officer and major shareholder of Gadang	Provision of sub-contract works	Gadang Group	756
Datapuri Sdn Bhd ("DPSB")	DPSB is a 51% owned subsidiary of Gadang and 49% owned by Exclusive Acres Sdn Bhd ("EASB"). Mr Liew Swee Kong who is a director and shareholder of EASB is the nephew TSDKO.	• Office Rental	Gadang Properties Sdn Bhd	22
		• Provision of mechanical & engineering subcontract works by DPSB	Gadang Group	1,417
		• Provision of management services by Gadang	Gadang	48

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

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

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

In preparing the financial statements, the Directors have:

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

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

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services. The principal activities of its subsidiaries are disclosed in Note 16 to the financial statements.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year attributable to:		
Owners of the Company	20,469,690	4,911,298
Non-controlling interests	193,453	-
	20,663,143	4,911,298
Total comprehensive income for the financial year attributable to:		
Owners of the Company	19,689,732	4,911,298
Non-controlling interests	106,325	-
	19,796,057	4,911,298

RESERVES AND PROVISIONS

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

DIVIDENDS

On 21 November 2012, the shareholders approved a first and final dividend of 2% per share less 25% income tax on 196,691,218 ordinary shares for the financial year ended 31 May 2012, amounting to RM2,950,369 which was paid on 27 December 2012.

The Directors proposed a first and final dividend of 3% per share less 25% income tax on 196,691,218 ordinary shares for the financial year ended 31 May 2013 amounting to RM4,425,552 which is subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

DIRECTORS

The Directors who have held office since the date of the last report are:

Datuk Wan Lokman Bin Dato' Wan Ibrahim
Tan Sri Dato' Kok Onn
Adam Bin Bachek
Boey Tak Kong
Kok Pei Ling (appointed on 2 January 2013)

DIRECTORS' INTEREST IN SHARES

The interest of the Directors who held office at the end of the financial year in shares in the Company and its related companies are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.6.2012	Acquired	Sold	At 31.5.2013
Shareholdings registered in the name of Directors:				
Direct interest				
Tan Sri Dato' Kok Onn	6,266,666	2,500,000	-	**8,766,666**
Boey Tak Kong	749,600	150,400	-	**900,000**
Indirect interest				
Tan Sri Dato' Kok Onn*	59,480,827	700,000	-	**60,180,827**

	Number of Warrants 2010/2015			
	At 1.6.2012	Acquired	Sold	At 31.5.2013
Shareholdings registered in the name of Directors:				
Direct interest				
Tan Sri Dato' Kok Onn	611,666	-	-	**611,666**
Boey Tak Kong	88,500	-	-	**88,500**
Indirect interest				
Tan Sri Dato' Kok Onn*	3,674,231	-	-	**3,674,231**

* Indirect interest by virtue of shares held by companies in which the Director has interest.

By virtue of the substantial interest in share of the Company, Tan Sri Dato' Kok Onn is deemed to have interest in all the Company's subsidiaries to the extent the Company has an interest.

DIRECTORS' INTEREST IN SHARES (cont'd)

Other than as disclosed above, according to the register of Director's Shareholdings, the other Directors in office at the end of the financial year did not hold any interest in shares and warrants of the Company and its subsidiaries during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in Note 37 to the financial statements.

There were no arrangements during or at the end of the financial year, which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, issued and paid-up share capital of the Company during the financial year.

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any material extent; or

(ii) which would render the value attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (cont'd)

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due except as disclosed in the Note 38 to the financial statements.

In the opinion of the Directors, except as otherwise disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 May 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 44 to the financial statements.

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Details of significant events after reporting period are disclosed in Note 45 to the financial statements.

AUDITORS

The auditors, Messrs PKF, have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors,

TAN SRI DATO' KOK ONN

DATUK WAN LOKMAN BIN DATO' WAN IBRAHIM

Kuala Lumpur

19 September 2013

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the accompanying financial statements as set out on pages 65 to 145 are drawn up in accordance with the provisions of the Companies Act, 1965 in Malaysia and Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2013 and of their financial performance and their cash flows for the financial year ended on that date.

The supplementary information as set out in Note 46 to the financial statements have been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors,

TAN SRI DATO' KOK ONN

DATUK WAN LOKMAN BIN DATO' WAN IBRAHIM

Kuala Lumpur

19 September 2013

STATUTORY DECLARATION

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

I, KOK PEI LING, being the Director primarily responsible for the financial management of GADANG HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements as set out on pages 65 to 145 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 above named at Kuala Lumpur in
Wilayah Persekutuan on 19 September 2013

KOK PEI LING

Before me,

PESURUHJAYA SUMPAH
No: W 602
Nama: KAPT (B) AFFANDI
BIN AHMAD
MALAYSIA

COMMISSIONER FOR OATHS

No. 86, Tingkat Bawah
Jalan Putra
50350 Kuala Lumpur

REPORT OF THE INDEPENDENT AUDITORS

To the members of Gadang Holdings Berhad
(Co. No. 278114-K)
(Incorporated In Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of GADANG HOLDINGS BERHAD, which comprise the Statements of Financial Position as at 31 May 2013 of the Group and of the Company, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 65 to 145.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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 controls. An audit also includes evaluating the appropriateness of 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 of 31 May 2013 and of their financial performance and their cash flows for the financial 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 financial statements and the auditors' reports of the subsidiaries for which we have not acted as auditors, as disclosed in Note 16 to the financial statements, being financial statements which are included in the consolidated financial statements.

REPORT OF THE INDEPENDENT AUDITORS

To the members of Gadang Holdings Berhad (cont'd)
(Co. No. 278114-K)
(Incorporated In Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (cont'd)

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements 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 audit reports on the financial statements of the subsidiaries were not subject to any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information as set out in Note 46 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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.

PKF
AF 0911
CHARTERED ACCOUNTANTS

LOH CHYE TEIK
1652/8/14(J)
CHARTERED ACCOUNTANT

Kuala Lumpur

19 September 2013

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 May 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM	RM	RM	RM
Revenue	3	**356,466,302**	246,347,540	**11,050,000**	8,450,000
Cost of sales	4	**(298,108,547)**	(203,752,064)	**-**	-
Gross profit		**58,357,755**	42,595,476	**11,050,000**	8,450,000
Other income	5	**10,373,836**	5,682,975	**862,598**	540,583
Administrative expenses		**(12,622,032)**	(10,586,232)	**(2,614,033)**	(2,029,245)
Other expenses		**(22,039,518)**	(16,316,500)	**(1,670,086)**	(1,178,487)
Profit from operations	6	**34,070,041**	21,375,719	**7,628,479**	5,782,851
Finance costs	9	**(1,597,737)**	(3,457,547)	**(338,098)**	(709,346)
Profit before tax		**32,472,304**	17,918,172	**7,290,381**	5,073,505
Income tax expense	10	**(11,809,161)**	(4,182,996)	**(2,379,083)**	(86,230)
Profit for the financial year		**20,663,143**	13,735,176	**4,911,298**	4,987,275
Other comprehensive income:					
Foreign currency translation		**(867,086)**	851,544	**-**	-
Total comprehensive income for the financial year		**19,796,057**	14,586,720	**4,911,298**	4,987,275
Profit/(Loss) for the financial year attributable to:					
Owners of the Company		**20,469,690**	14,451,456	**4,911,298**	4,987,275
Non-controlling interests		**193,453**	(716,280)	**-**	-
		20,663,143	13,735,176	**4,911,298**	4,987,275
Total comprehensive income/ (loss) attributable to:					
Owners of the Company		**19,689,732**	15,356,986	**4,911,298**	4,987,275
Non-controlling interests		**106,325**	(770,266)	**-**	-
		19,796,057	14,586,720	**4,911,298**	4,987,275
Basic earnings per ordinary share (sen)	11	**10.41**	7.35		

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

STATEMENTS OF FINANCIAL POSITION

as at 31 May 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
ASSETS					
Non-current assets					
Property, plant and equipment	12	**64,491,841**	65,177,006	**100,540**	104,313
Biological assets	13	**10,642,855**	6,847,212	**-**	-
Investment properties	14	**25,347,271**	20,647,640	**-**	-
Concession assets	15	**31,025,908**	33,185,967	**-**	-
Investment in subsidiaries	16	**-**	-	**119,464,400**	114,609,255
Investment in associate	17	**-**	-	**-**	-
Other investments	18	**163,000**	226,000	**-**	-
Goodwill on consolidation	19	**10,422,959**	17,294,891	**-**	-
Deferred tax assets	20	**3,812,220**	764,675	**-**	-
Non-trade receivables	24	**503,401**	-	**175,769**	-
		146,409,455	144,143,391	**119,740,709**	114,713,568
Current assets					
Property development costs	21	**140,204,237**	138,701,176	**-**	-
Amount due from customers on contracts	22	**35,500,629**	69,939,512	**-**	-
Inventories	23	**1,008,282**	1,610,406	**-**	-
Trade and non-trade receivables	24	**45,034,964**	56,730,503	**80,764,917**	125,597,640
Tax recoverable		**2,987,349**	4,027,773	**732,460**	1,943,984
Deposits with licensed banks	26	**53,547,729**	34,078,642	**9,476,568**	9,238,720
Cash and bank balances	26	**83,015,590**	15,489,692	**29,729,673**	392,846
		361,298,780	320,577,704	**120,703,618**	137,173,190
Assets classified as held for sale	27	**3,058,188**	-	**-**	-
TOTAL ASSETS		**510,766,423**	464,721,095	**240,444,327**	251,886,758

STATEMENTS OF FINANCIAL POSITION
as at 31 May 2013
(cont'd)

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
EQUITY AND LIABILITIES					
Equity attributable to Owners of the Company					
Share capital	28	**196,691,218**	196,691,218	**196,691,218**	196,691,218
Reserves	29	**65,898,088**	49,158,725	**13,872,778**	11,911,849
		262,589,306	245,849,943	**210,563,996**	208,603,067
Non-controlling interests	30	**3,841,635**	3,735,310	**-**	-
Total equity		**266,430,941**	249,585,253	**210,563,996**	208,603,067
Non-current liabilities					
Non-trade payables	33	**11,549,728**	-	**-**	-
Deferred tax liabilities	20	**14,502,149**	8,519,728	**23,861**	23,861
Bank borrowings	31	**56,482,358**	48,066,090	**-**	-
Defined benefit obligations	32	**1,185,322**	1,233,541	**-**	-
		83,719,557	57,819,359	**23,861**	23,861
Current liabilities					
Trade and non-trade payables	33	**110,215,178**	111,043,126	**29,856,470**	39,760,627
Provisions	34	**163,971**	163,971	**-**	-
Amount due to customers on contracts	22	**18,800,361**	47,849	**-**	-
Bank borrowings	31	**26,602,980**	44,885,147	**-**	3,499,203
Tax payable		**3,903,263**	1,176,390	**-**	-
		159,685,753	157,316,483	**29,856,470**	43,259,830
Liabilities classified as held for sale	27	**930,172**	-	**-**	-
Total liabilities		**244,335,482**	215,135,842	**29,880,331**	43,283,691
TOTAL EQUITY AND LIABILITIES		**510,766,423**	464,721,095	**240,444,327**	251,886,758

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 May 2013

Group	Note	Share capital RM	Warrant reserves RM	Capital reserves RM	Foreign exchange reserves RM	Retained profits RM	Total RM	Non-controlling interests RM	Total equity RM
		Attributable to owners of the Company							
			Non-distributable			Distributable			
At 1 June 2011		196,691,218	6,175,984	1,346,681	(2,040,845)	28,319,919	230,492,957	4,505,576	234,998,533
Total comprehensive income/ (loss) for the financial year		-	-	-	905,530	14,451,456	15,356,986	(770,266)	14,586,720
At 31 May 2012		196,691,218	6,175,984	1,346,681	(1,135,315)	42,771,375	245,849,943	3,735,310	249,585,253
Total comprehensive income/ (loss) for the financial year		-	-	-	(779,958)	20,469,690	19,689,732	106,325	19,796,057
Dividends paid on ordinary shares	35	-	-	-	-	(2,950,369)	(2,950,369)	-	(2,950,369)
At 31 May 2013		**196,691,218**	**6,175,984**	**1,346,681**	**(1,915,273)**	**60,290,696**	**262,589,306**	**3,841,635**	**266,430,941**

			Non-distributable	Distributable	
Company	Note	Share capital RM	Warrant reserves RM	Retained profits RM	Total RM
At 1 June 2011		196,691,218	6,175,984	748,590	203,615,792
Total comprehensive income for the financial year		-	-	4,987,275	4,987,275
At 31 May 2012		196,691,218	6,175,984	5,735,865	208,603,067
Total comprehensive income for the financial year		-	-	4,911,298	4,911,298
Dividends paid on ordinary shares	35	-	-	(2,950,369)	(2,950,369)
At 31 May 2013		**196,691,218**	**6,175,984**	**7,696,794**	**210,563,996**

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 May 2013

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Cash flows from operating activities				
Profit before tax	**32,472,304**	17,918,172	**7,290,381**	5,073,505
Adjustments for:				
Amortisation on biological assets	**87,290**	-	**-**	-
Bad debts written off	**330,215**	1,084	**-**	-
Deposits written off	**32,050**	-	**-**	-
Depreciation				
- property, plant and equipment	**2,149,754**	1,863,960	**18,922**	17,540
- concession assets	**1,596,907**	3,974,135	**-**	-
- investment property	**104,601**	-	**-**	-
Dividend income	**-**	-	**(8,000,000)**	(5,400,000)
Fair value adjustments on	**-**	-	**-**	-
- non-trade receivable	**212,599**	-	**-**	-
- amount due to a director	**(1,042,415)**	-	**-**	-
- non-trade payable	**(2,054,622)**	-	**-**	-
- amount due from a subsidiary	**-**	-	**74,231**	-
Impairment loss				
- assets held for sale	**554,075**	-	**-**	-
- goodwill	**6,871,932**	-	**-**	-
- property, plant and equipment	**-**	4,227	**-**	-
- trade and non-trade receivable	**54,768**	3,136,881	**16,389**	-
- amount due from subsidiary	**-**	-	**570,367**	-
Impairment loss no longer required	**(1,026,742)**	-	**-**	-
Increase liability for defined benefit obligations	**317,189**	30,877	**-**	-
Interest expense	**1,597,737**	3,457,547	**338,098**	709,346
Interest income	**(2,168,406)**	(1,452,500)	**(630,070)**	(512,353)
Inventories written off	**-**	32,649	**-**	-
Loss on disposal of other investment	**21,000**	-	**-**	-
Net gain on disposal of property, plant and equipment	**(221,993)**	(785,851)	**-**	-
Net unrealised loss on foreign exchange	**35,894**	-	**-**	-
Property, plant and equipment written off	**10,359**	267,060	**-**	-
Reversal of liquidated ascertained damages	**-**	(727,738)	**-**	-
Reversal of provisions	**(2,657,227)**	-	**-**	-
Waiver of liability	**-**	(185,885)	**-**	-
Operating profit/(loss) before working capital changes	**37,277,269**	27,534,618	**(321,682)**	(111,962)
Changes in working capital:				
Amount due from/(to) customers on contracts *	**61,474,748**	15,627,750	**-**	-
Assets held for sale	**(1,190,042)**	-	**-**	-
Biological assets	**(3,882,933)**	(2,960,375)	**-**	-
Inter-company balances	**-**	-	**29,249,800**	27,206,616
Inventories	**602,124**	325,846	**-**	-
Payables	**16,940,150**	(14,160,902)	**(29,169)**	(98,999)
Property development costs	**(1,503,061)**	(26,867,310)	**-**	-
Receivables	**11,589,248**	45,460,647	**16,034**	(65,665)
Cash generated from operations	**121,307,503**	44,960,274	**28,914,983**	26,929,990
Income tax paid	**(5,974,074)**	(2,734,690)	**(167,559)**	(79,475)
Net Operating Cash Flows	**115,333,429**	42,225,584	**28,747,424**	26,850,515

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Cash flows from investing activities				
Acquisition of:				
- concession assets	**(60,750)**	482,050	**-**	-
- property, plant and equipment #	**(5,471,678)**	(1,608,019)	**(15,149)**	(15,262)
- investment properties	**(4,563,532)**	-	**-**	-
- subsidiaries, net of cash and cash equivalents	**-**	(409,159)	**-**	(29,451,404)
Dividends received	**-**	-	**7,000,000**	4,050,000
Interests received	**2,168,406**	1,452,500	**630,070**	512,353
Proceeds from disposal of:				
- property, plant and equipment	**3,811,019**	5,741,114	**-**	-
- other investment	**42,000**	-	**-**	-
Net Investing Cash Flows	**(4,074,535)**	5,658,486	**7,614,921**	(24,904,313)
Cash flows from financing activities				
Dividends paid	**(2,950,369)**	-	**(2,950,369)**	-
Drawdown of bank borrowings	**14,854,709**	41,108,029	**-**	-
Fixed deposits pledged as security values	**(5,605,698)**	(754,139)	**(237,848)**	(226,487)
Interests paid	**(1,597,737)**	(3,457,547)	**(338,098)**	(709,346)
Repayment of:				
- bank borrowings	**(19,030,063)**	(79,627,133)	**(3,499,203)**	(8,289,635)
- hire purchase payables	**(3,573,994)**	(10,315,809)	**-**	-
Advances from a director	**(500,000)**	-	**-**	-
Net Financing Cash Flows	**(18,403,152)**	(53,046,599)	**(7,025,518)**	(9,225,468)
Net increase in cash and cash equivalents	**92,855,742**	(5,162,529)	**29,336,827**	(7,279,266)
Effect of exchange rate changes on cash and cash equivalents	**838,268**	905,460	**-**	-
Cash and cash equivalents at the beginning of the financial year	**1,656,740**	5,913,809	**392,846**	7,672,112
Cash and cash equivalents at the end of the financial year	**95,350,750**	1,656,740	**29,729,673**	392,846
Analysis of cash and cash equivalents				
Cash and bank balances	**83,015,590**	15,489,692	**29,729,673**	392,846
Deposits with licensed banks	**53,547,729**	34,078,642	**9,476,568**	9,238,720
Bank overdrafts	**(1,746,198)**	(14,050,921)	**-**	-
	134,817,121	35,517,413	**39,206,241**	9,631,566
Less: Fixed deposits pledged as security values	**(39,466,371)**	(33,860,673)	**(9,476,568)**	(9,238,720)
	95,350,750	1,656,740	**29,729,673**	392,846

* Included in the amount due from/(to) customers on contracts are plant and machineries amounting to RM2,005,405 that has been expensed off as construction cost. The plant and machineries were acquired with an aggregate cost of RM2,005,405 (2012: RM Nil) of which RM1,503,200 (2012: RM Nil) were acquired by means of hire purchase arrangements.

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM14,156,650 (2012: RM2,910,336) of which RM8,684,972 (2012: RM1,302,317) were acquired by means of hire purchase arrangements.

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

NOTES TO THE FINANCIAL STATEMENTS

as at 31 May 2013

1. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the Companies Act, 1965, in Malaysia.

The accompanying financial statements have been prepared assuming that the Group and the Company will continue as going concern which contemplates the realisation of assets and settlement of liabilities in the normal course of business.

(a) Standards issued and effective

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

On 1 June 2012, the following new and amended FRS and IC Interpretations are mandatory for annual financial periods beginning on or after 1 June 2012.

Description	Effective for annual periods beginning on or after
• FRS 124, Related Party Disclosures	1 January 2012
• Amendment to FRSs:	
- FRS 1, First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
- FRS 7, Financial Instruments: Disclosures – Transfers of Financial Assets	1 January 2012
- FRS 7, Financial Instruments: Disclosures – *Mandatory Effective Date of FRS 9 and Transition Disclosures*	Effective immediately
- FRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009) – *Mandatory Effective Date of FRS 9 and Transition Disclosures*	Effective immediately
- FRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010) – *Mandatory Effective Date of FRS 9 and Transition Disclosures*	Effective immediately
- FRS 112, Income Taxes – Deferred Tax: Recovery of Underlying Assets	1 January 2012

The Directors expect that the adoption of the standards and amendments above will have no material impact on the financial statements in the period of initial application.

1. BASIS OF PREPARATION (cont'd)

(b) Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
• FRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
• FRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015
• FRS 10, Consolidated Financial Statements	1 January 2013
• FRS 11, Joint Arrangements	1 January 2013
• FRS 12, Disclosure of Interests in Other Entities	1 January 2013
• FRS 13, Fair Value Measurement	1 January 2013
• FRS 119, Employee Benefits	1 January 2013
• FRS 127, Separate Financial Statements	1 January 2013
• FRS 128, Investment in Associated and Joint Ventures	1 January 2013
• Amendment to FRSs:	
- FRS 1, First-time Adoption of Financial Reporting Standards – Government Loans	1 January 2013
- FRS 1, First-time Adoption of Financial Reporting Standards – Repeated application of IFRS 1	1 January 2013
- FRS 1, First-time Adoption of Financial Reporting Standards – Borrowing costs	1 January 2013
- FRS 1, First-time Adoption of Financial Reporting Standards – Classification of the requirements for comparative information	1 January 2013
- FRS 7, Financial Instruments: Disclosures – *Offsetting Financial Assets and Financial Liabilities*	1 January 2013
- FRS 10, Consolidated Financial Statements: Transition Guidance	1 January 2013
- FRS 10, Consolidated Financial Statements – *Investment Entities*	1 January 2014
- FRS 11, Joint Arrangements: Transition Guidance	1 January 2013
- FRS 12, Disclosure of Interest in Other Entities: Transition Guidance	1 January 2013
- FRS 12, Disclosure of Interest in Other Entities – *Investment Entities*	1 January 2014
- FRS 101, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	1 July 2012

The Directors expect that the adoption of the standards and amendments above will have no material impact on the financial statements in the period of initial application.

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework) that is applicable to entities other than private entities. However, based on the MASB announcement on 30 June 2012 that defer the effective date of MFRS Framework for transitioning entities (i.e. entities affected by MFRS 141 Agriculture and/or IC Interpretation 15 Agreements for Construction of Real Estate) from 1 January 2013 to 1 January 2014, the Company has elected for the continued use of FRS for the financial year ending 31 May 2013 and 31 May 2014 as a transitioning entity. The Group and the Company would subsequent adopt the MFRS Framework for the financial year ending 31 May 2015.

1. BASIS OF PREPARATION (cont'd)

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

The subsequent adoption of the MFRS Framework would result in the Group and the Company preparing opening MFRS statements of financial position as at 1 June 2013, which adjusts for differences between the classification and measurement bases in the existing FRS Framework versus that in the new MFRS Framework. This would also result in a reinstatement of the annual and quarterly financial performance for the financial year ending 31 May 2015 in accordance with MFRS, which would form the MFRS comparatives for the annual and quarterly financial performance for the financial year ending 31 May 2015 respectively.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements.

(d) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's and the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

(i) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(ii) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

1. BASIS OF PREPARATION (cont'd)

(d) Critical accounting estimates and judgements (cont'd)

(iii) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) Allowance for Inventories

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

(v) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(vi) Impairment of Trade and Non-trade Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(vii) Deferred Tax Assets and Liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

1. BASIS OF PREPARATION (cont'd)

(d) Critical accounting estimates and judgements (cont'd)

(viii) Construction Contracts

The Group recognised contract revenue and contract costs as revenue and expenses respectively in the statements of comprehensive income by using the stage of completion method. The stage of completion is determined by reference to the proportion of contract cost 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 cost incurred, the estimated total contract revenue and costs, as well as the recoverability of the construction contracts. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

(ix) Impairment of Available-for-sale Financial Assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether there is an indication that an asset may be impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant' or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(x) Classification between Investment Properties and Owner Occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

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

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

(xi) Revaluation of Properties

Certain properties of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

1. BASIS OF PREPARATION (cont'd)

(d) Critical accounting estimates and judgements (cont'd)

(xii) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(xiii) Property Development

The Group recognised property development revenue and costs in the statements of comprehensive income by using the stage of completion method. The stage of completion is determined by reference to the proportion of contract cost incurred for work performed to date to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development cost 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. Detailed property development costs are disclosed in Note 21 to the financial statements.

(xiv) Projected Water Revenue of the Concession

Significant estimation is involved in determining projected water revenue of concession where the concession period ranges between 16 to 22 years, commencing from 2005 to 2007. The projected water revenue is estimated based on the scheduled tariff as set out in 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 includes 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.

(xv) Provision for Liquidated Ascertained Damages

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

(xvi) Carrying Value of Investment in Subsidiaries

Investments in subsidiaries are reviewed for impairment annually in accordance with its accounting policy as disclosed in Note 2(h)(ii) to the financial statements, or whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involves uncertainties and are significantly affected by assumptions and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the carrying value of investments in subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiary

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less any impairment losses.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for Business Combinations

The consolidated financial statements comprise the financial statements of the Company and of its subsidiaries as at the reporting date. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Acquisitions of subsidiary are accounted for by applying the acquisition method.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011, the Group has applied Revised FRS 3, Business Combinations, in accounting for business combinations.

<u>Acquisitions on or after 1 January 2011</u>

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Cost related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Accounting for Business Combinations (cont'd)

Acquisitions on or after 1 January 2011 (cont'd)

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and / or future service.

Acquisitions between 1 January 2006 to 1 January 2011

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income.

The cost of a business combination 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 business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in other comprehensive income on the date of acquisition.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Acquisitions prior to 1 January 2006

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(iii) Non-controlling Interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit and loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

The Group applied Revised FRS 127, Consolidated and Separate Financial Statements since the beginning of the reporting period.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so caused the non-controlling interests to have a deficit balance.

In the previous years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

(iv) Transactions with Non-controlling Interests

Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners.

On acquisition of non-controlling interest, the difference between the consideration and the Group' share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

(v) Loss of Control

The Group applied Revised FRS 127, Consolidated and Separate Financial Statements since the beginning of the reporting period.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

In the previous years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and their carrying amount would be regarded as cost on initial measurement of the investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(vi) Associate

An associate is an entity, not being a subsidiary or a joint venture, in which the group has significant influence. An 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.

The group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates are measured in the statement of financial position at cost plus post acquisition changes in the group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investments. Any excess of the group's share of the net fair value of the associates identifiable assets, liabilities and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investments and is instead included as income in the determination of the group's share of the associates profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss on the group investment in its associates. The group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the company. Where necessary, adjustments are made to bring the accounting policies in line with those of the group.

In the Company's separate financial statements, investment 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.

(vii) Jointly-controlled Entity

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(vii) Jointly-controlled Entity (cont'd)

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

(viii) Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates and jointly controlled entities. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Group and of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group and the Company's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group and of the Company on disposal of the foreign operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign currencies (cont'd)

(ii) Foreign Currency Transactions (cont'd)

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

(iii) Foreign Operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations 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 reporting date.

The principal exchange rates used for every unit of foreign currency ruling at reporting date are as follows:

	2013 RM	2012 RM
1 Singapore Dollar	**2.4508**	2.4772
100 Indonesian Rupiah	**0.0316**	0.0338

(c) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured.

(i) Sales of Development Properties

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

(ii) Construction Contracts

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Revenue (cont'd)

(iii) Rental Income

Rental income is accounted for on a straight-line basis over the lease terms.

(iv) Interest Income

Interest income is recognised using the effective interest method.

(v) Sales of Goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and provisions, trade discounts and volume rebates.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated, and there is no continuing measurement involvement with the goods.

Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(vi) Dividend Income

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

(vii) Management Fees

Management fees are recognised when services are rendered.

(viii) Water Concession

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

(d) Employee benefits

(i) Short-term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and of the Company. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Employee benefits (cont'd)

(ii) Defined Contribution Plan

The Group's and the Company's contribution to defined contribution plan are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company has no further liability in respect of the defined contribution plan.

The Company participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

(iii) Unfunded Defined Benefit Plan

Foreign subsidiaries in Indonesia operate 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 statements of financial position represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

(iv) Termination Benefits

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

(e) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessary 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.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing cost are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Tax expense

(i) Current Tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred Tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(g) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Construction contracts (cont'd)

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense 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.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract works to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

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

(h) Impairment

(i) Impairment of Financial Assets

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

Trade and non-trade receivables and other financial assets carried at amortised cost.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Impairment (cont'd)

(ii) Impairment of Non-financial Assets

The Group and the Company assess at each reporting date whether there is an indication that an asset (except for inventories, amount due from customers on contracts and assets classified as held for sale) may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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 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.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(i) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and to the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Property, plant and equipment (cont'd)

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation of other property, plant and equipment is calculated on the straight-line basis at the following annual rates based on their estimated useful lives:

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(j) Biological assets

Oil palm planting expenditure

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

Upon maturity, biological assets are amortised equally over its remaining economic useful life of twenty years.

(k) Investment properties

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

Subsequent to initial recognition, freehold investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Investment properties (cont'd)

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 gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2(i) to the financial statements up to the date of change in use.

(l) 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.

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

At the end of each reporting 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.

(m) Goodwill on consolidation

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Goodwill on consolidation (cont'd)

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation 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 in accordance with the accounting policy set out in Note 2(b) to the financial statements.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

(n) Financial assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss.

Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Financial assets (cont'd)

(ii) Loans and Receivables

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

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

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

(iii) Held-to-maturity Investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

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

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(iv) Available-for-sale Financial Assets

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

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Financial assets (cont'd)

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

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

(o) 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 profit or loss 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 for properties that have been sold.

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 profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings within trade payables.

(p) Inventories

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

Cost is determined using weighted average basis. The costs of raw materials and construction materials at site comprise cost of purchase. The costs of finished goods comprise costs of raw materials, direct labour and an appropriate proportion of common costs.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash on hand, demand deposits, short-term and highly liquid investments, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts and fixed deposits pledged to licensed banks.

(r) Assets and liabilities held for sale

Assets and liabilities are classified as held for sale if it is highly probably that they will be recovered primarily through sale or distribution rather than through continuing use.

Immediately before classification as held for sale, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

(s) Financial liabilities

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

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Financial liabilities (cont'd)

(ii) Other Financial Liabilities

The Group's and the Company's other financial liabilities include trade and non-trade payables, provisions and bank borrowings.

Trade and non-trade payables, provisions and bank borrowings are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

(t) Hire purchase arrangements

Property, plant and equipment acquired under hire purchase arrangements are capitalised in the financial statements and the corresponding obligations are taken up as hire purchase payables.

The interest element is charged to the profit or loss over the year of respective hire purchase arrangements.

(u) Leases

(i) Classification

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Leases (cont'd)

(ii) Finance Leases - the Group as Lessee

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

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the profit or loss 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 the depreciable property, plant and equipment as described in Note 2(i) to the financial statements.

(iii) Operating Leases - the Group as Lessee

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

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

(iv) Operating Leases - the Group as Lessor

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

(v) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Warrants

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

(x) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

(y) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services. The management of the Company regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in the Note 40 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

(z) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3. REVENUE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Revenue from construction contracts	**265,475,597**	188,548,092	**-**	-
Rental income	**189,274**	578,633	**-**	-
Sales of oil palm fresh fruit bunches	**133,907**	-	**-**	-
Sales of development properties	**73,516,483**	40,889,847	**-**	-
Revenue from water concession	**17,151,041**	16,330,968	**-**	-
Dividend income from subsidiaries	**-**	-	**8,000,000**	5,400,000
Management fees	**-**	-	**3,050,000**	3,050,000
	356,466,302	246,347,540	**11,050,000**	8,450,000

4. 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.

5. OTHER INCOME

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Administrative fees	**111,481**	782,580	**-**	-
Fair value adjustment	**1,042,415**	609,819	**-**	-
Gain on disposal of property, plant and equipment	**482,555**	808,071	**-**	-
Interest income	**2,168,406**	1,675,126	**630,070**	512,353
Miscellaneous income	**1,456,655**	1,509,984	**-**	-
Realised gain on foreign exchange	**222**	28,230	**150**	28,230
Impairment loss no longer required	**1,026,742**	-	**-**	-
Rental income	**970,714**	99,300	**-**	-
Reversal of provisions	**2,657,227**	-	**-**	-
Sales of scrap iron	**225,041**	169,865	**-**	-
Unrealised gain on foreign exchange	**232,378**	-	**232,378**	-
	10,373,836	5,682,975	**862,598**	540,583

6. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging/(crediting) the following:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Amortisation on biological assets (Note 13)	**87,290**	-	**-**	-
Auditors' remuneration				
Holding company's auditor				
- audit fee	**160,120**	139,900	**41,600**	41,600
- (over)/under provision in prior year	**(689)**	28,279	**-**	2,000
Other auditors				
- audit fee	**109,405**	125,048	**-**	-
Bad debts written off	**330,215**	1,084	**-**	-
Depreciation				
- property, plant and equipment (Note 12)	**2,149,754**	1,863,960	**18,922**	17,540
- concession assets (Note 15)	**1,596,907**	3,974,135	**-**	-
- investment property (Note 14)	**104,601**	-	**-**	-
Deposits written off	**32,050**	-	**-**	-
Employee benefits (Note 7)	**12,622,032**	10,586,232	**2,614,033**	2,029,245

6. PROFIT FROM OPERATIONS (cont'd)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Fair value adjustments on				
- amount due from a subsidiary (Note 24)	**-**	-	**74,231**	-
- non-trade receivable (Note 24)	**212,599**	-	**-**	-
Impairment loss				
- assets classified as held for sale (Note 27)	**554,075**	-	**-**	-
- goodwill (Note 19)	**6,871,932**	-	**-**	-
- property, plant and equipment	**-**	4,227	**-**	-
- trade and non-trade receivables (Note 24)	**54,768**	3,136,881	**16,389**	-
- amount due from subsidiaries (Note 24)	**-**	-	**570,367**	-
Inventories written off	**-**	32,649	**-**	-
Loss on disposal of:				
- other investment	**21,000**	-	**-**	-
- property, plant and equipment	**260,562**	-	**-**	-
Operating lease				
- land and building	**130,638**	129,152	**202,414**	213,703
- motor vehicle	**51,809**	53,932	**-**	-
Property, plant and equipment written off	**10,359**	267,060	**-**	-
Realised loss on foreign exchange	**51,953**	-	**77,388**	-
Unrealised loss on foreign exchange	**268,272**	-	**-**	-
Waiver of liability	**-**	(185,885)	**-**	-

7. EMPLOYEE BENEFITS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Salaries and other benefits	**11,413,054**	9,501,323	**2,408,593**	1,869,210
Contributions to:				
- defined contribution plan	**891,789**	787,842	**205,440**	160,035
- defined benefit plan (Note 32)	**317,189**	297,067	**-**	-
	12,622,032	10,586,232	**2,614,033**	2,029,245

Included in employee benefits of the Group and of the Company are executive directors' remuneration amounting to RM3,418,665 (2012: RM3,045,456) and RM310,355 (2012: RM164,167) respectively as further disclosed in Note 8 to the financial statements.

8. DIRECTORS' REMUNERATION

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	**676,407**	492,500	**302,074**	164,167
Defined contribution plan	**8,281**	-	**8,281**	-
Non-executive:				
Director fees	**150,000**	150,000	**150,000**	150,000
Other emoluments	**65,000**	64,915	**65,000**	64,915
	899,688	707,415	**525,355**	379,082
Directors of the subsidiaries				
Executive:				
Salaries and other emoluments	**2,528,398**	2,391,478	**-**	-
Defined contribution plan	**205,579**	161,478	**-**	-
	2,733,977	2,552,956	**-**	-
Total Directors' remuneration	**3,633,665**	3,260,371	**525,355**	379,082
Estimated money value of benefits-in-kind	**25,534**	39,500	**-**	2,400
Total Directors' remuneration including benefits-in-kind	**3,659,199**	3,299,871	**525,355**	381,482

The number of Directors of the Group and of the Company whose total remuneration during the financial year fall within the following bands are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Directors of the Company				
Executive:				
RM50,001 to RM100,000	**1**	-	**1**	-
RM150,001 to RM200,000	**-**	-	**-**	1
RM200,001 to RM250,000	**-**	-	**1**	-
RM450,001 to RM500,000	**-**	1	**-**	-
RM550,001 to RM600,000	**1**	-	**-**	-
	2	1	**2**	1
Non-executive:				
RM50,001 to RM100,000	**3**	3	**3**	3

8. DIRECTORS' REMUNERATION (cont'd)

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Directors of the subsidiaries				
Executive:				
RM100,001 to RM150,000	**1**	-	**-**	-
RM150,001 to RM200,000	**1**	1	**-**	-
RM200,001 to RM250,000	**2**	3	**-**	-
RM250,001 to RM300,000	**1**	1	**-**	-
RM300,001 to RM350,000	**1**	2	**-**	-
RM350,001 to RM400,000	**1**	-	**-**	-
RM400,001 to RM450,000	**1**	1	**-**	-
RM450,001 to RM500,000	**1**	-	**-**	-
	9	8	**-**	-

9. FINANCE COSTS

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Bank borrowings interests	**1,187,448**	2,495,526	**338,098**	709,346
Hire purchase interests	**410,289**	962,021	**-**	-
	1,597,737	3,457,547	**338,098**	709,346

10. INCOME TAX EXPENSE

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Current tax expense				
- Malaysian income tax	**7,709,573**	669,167	**2,286,300**	86,700
- Foreign tax	**1,096,025**	1,101,503	**-**	-
	8,805,598	1,770,670	**2,286,300**	86,700
Under/(Over) provision in prior year				
- Malaysian income tax	**167,706**	(134,730)	**92,783**	(470)
	8,973,304	1,635,940	**2,379,083**	86,230
Deferred tax (Note 20)				
- current year	**298,248**	2,547,056	**-**	-
- under provision in prior year	**2,537,609**	-	**-**	-
	2,835,857	2,547,056	**-**	-
	11,809,161	4,182,996	**2,379,083**	86,230

10. INCOME TAX EXPENSE (cont'd)

Reconciliation of effective income tax expense:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit before tax	**32,472,304**	17,918,172	**7,290,381**	5,073,505
Tax at Malaysian tax rate of 25%	**8,118,076**	4,479,543	**1,822,595**	1,268,376
Non-deductible expenses	**11,643,320**	1,313,203	**662,613**	243,403
Group relief	**-**	(64,624)	**-**	(64,624)
Non-taxable income	**(9,411,857)**	(4,022,889)	**(198,908)**	(1,360,545)
Relating to origination and reversal of temporary differences	**(1,245,693)**	2,612,493	**-**	90
	9,103,846	4,317,726	**2,286,300**	86,700
Under/(Over) provision of income tax in prior year	**167,706**	(134,730)	**92,783**	(470)
Under provision of deferred tax in prior year	**2,537,609**	-	**-**	-
	11,809,161	4,182,996	**2,379,083**	86,230

Subject to the agreement with the tax authorities, the Group and the Company has unutilised tax losses and unabsorbed capital allowances to be set off against future taxable profits as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Unutilised tax losses	**24,430,699**	4,866,641	**-**	-
Unabsorbed capital allowances	**9,705,006**	3,585,026	**-**	-
	34,135,705	8,451,667	**-**	-

11. BASIC EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share are calculated by dividing the profit for the financial year attributable to Owners of the Company by the number of ordinary shares outstanding during the financial year.

	Group	
	2013	2012
Profit attributable to Owners of the Company (RM)	**20,469,690**	14,451,456
Number of ordinary shares in issue (unit)	**196,691,218**	196,691,218
Basic earnings per ordinary share (sen)	**10.41**	7.35

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Total RM
31 May 2013										
Cost/Valuation										
At 1 June 2012	3,051,896	405,761	8,593,686	97,261,949	10,929,716	4,424,052	2,240,735	11,547,509	1,152,191	139,607,495
Reclassifications	-	(261,761)	1,402,206	(2,629,483)	1,269,868	(18,778)	-	33,261	(57,073)	(261,760)
Additions	-	-	734,850	8,346,512	64,620	227,225	22,064	4,721,101	40,278	14,156,650
Disposals/Write off	-	-	-	(6,922,697)	(504,126)	(196,475)	(48,868)	(2,071,987)	(174,773)	(9,918,926)
Exchange difference	(12,492)	-	(89,511)	(134,735)	(24,284)	(24,272)	-	(20,227)	(1,152)	(306,673)
Assets classified as held for sale	(179,404)	-	(1,285,692)	(2,230,449)	(348,812)	(73,554)	-	(49,106)	-	(4,167,017)
At 31 May 2013	2,860,000	144,000	9,355,539	93,691,097	11,386,982	4,338,198	2,213,931	14,160,551	959,471	139,109,769
Representing:										
At cost	-	144,000	922,392	93,691,097	11,386,982	4,338,198	2,213,931	14,160,551	959,471	127,816,622
At valuation	2,860,000	-	8,433,147	-	-	-	-	-	-	11,293,147
	2,860,000	144,000	9,355,539	93,691,097	11,386,982	4,338,198	2,213,931	14,160,551	959,471	139,109,769
Accumulated depreciation										
At 1 June 2012	-	348,317	1,633,223	52,569,149	6,390,209	3,145,841	1,504,799	7,850,656	988,295	74,430,489
Reclassifications	-	(339,807)	1,340,943	(2,370,801)	1,440,809	(20,443)	(20,308)	174,768	(34,756)	170,405
Charge for the financial year										
- recognised in profit or loss (Note 6)	-	4,930	501,998	126,480	340,727	168,092	68,926	919,661	18,940	2,149,754
- recognised in construction costs (Note 22)	-	-	-	5,713,511	308,041	44,069	23,001	691,531	-	6,780,153
	-	4,930	501,998	5,839,991	648,768	212,161	91,927	1,611,192	18,940	8,929,907
Disposals/Write off	-	-	-	(3,778,383)	(448,912)	(186,809)	(48,824)	(1,681,853)	(174,760)	(6,319,541)
Exchange difference	-	-	(55,470)	(68,997)	(16,265)	(20,858)	-	(16,156)	(1,152)	(178,898)
Assets classified as held for sale	-	-	(990,775)	(1,070,183)	(252,132)	(64,514)	-	(36,830)	-	(2,414,434)
At 31 May 2013	-	13,440	2,429,919	51,120,776	7,762,477	3,065,378	1,527,594	7,901,777	796,567	74,617,928
Carrying value										
At cost	-	130,560	772,473	42,570,321	3,624,505	1,272,820	686,337	6,258,774	162,904	55,478,694
At valuation	2,860,000	-	6,153,147	-	-	-	-	-	-	9,013,147
	2,860,000	130,560	6,925,620	42,570,321	3,624,505	1,272,820	686,337	6,258,774	162,904	64,491,841

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Total RM
31 May 2012										
Cost/Valuation										
At 1 June 2011	3,060,411	2,742,164	6,723,166	103,474,086	9,591,000	4,017,039	2,211,145	11,135,861	3,185,009	146,139,881
Additions	-	-	68,360	106,223	725,170	630,138	92,664	1,286,714	1,067	2,910,336
Reclassifications	-	-	1,863,190	(1,325,662)	1,325,705	71,151	(15,072)	1	(1,863,190)	56,123
Disposals/Write off	-	(2,336,403)	-	(4,909,668)	(695,601)	(281,027)	(48,002)	(852,318)	(169,910)	(9,292,929)
Exchange difference	(8,515)	-	(61,030)	(83,030)	(16,558)	(13,249)	-	(22,749)	(785)	(205,916)
At 31 May 2012	3,051,896	405,761	8,593,686	97,261,949	10,929,716	4,424,052	2,240,735	11,547,509	1,152,191	139,607,495
Representing:										
At cost	-	405,761	-	97,261,949	10,929,716	4,424,052	2,240,735	11,547,509	1,152,191	127,961,913
At valuation	3,051,896	-	8,593,686	-	-	-	-	-	-	11,645,582
	3,051,896	405,761	8,593,686	97,261,949	10,929,716	4,424,052	2,240,735	11,547,509	1,152,191	139,607,495
Accumulated depreciation										
At 1 June 2011	-	343,388	1,979,691	47,391,301	6,483,457	3,302,009	1,468,091	7,496,333	1,236,833	69,701,103
Reclassifications	-	318,744	(820,016)	1,213,651	(471,450)	(152,271)	(21,293)	(133,675)	(22,322)	(88,632)
Charge for the financial year										
- recognised in profit or loss (Note 6)	-	4,929	496,743	53,217	565,199	196,007	76,773	589,844	(118,752)	1,863,960
- recognised in construction costs (Note 22)	-	-	-	6,081,960	268,320	32,613	22,290	697,219	-	7,102,402
	-	4,929	496,743	6,135,177	833,519	228,620	99,063	1,287,063	(118,752)	8,966,362
Disposals/Write off	-	(318,744)	-	(2,161,310)	(413,788)	(221,580)	(41,062)	(779,502)	(106,679)	(4,042,665)
Exchange difference	-	-	(23,195)	(9,670)	(41,529)	(10,937)	-	(19,563)	(785)	(105,679)
At 31 May 2012	-	348,317	1,633,223	52,569,149	6,390,209	3,145,841	1,504,799	7,850,656	988,295	74,430,489
Carrying value										
At cost	-	57,444	-	44,692,800	4,539,507	1,278,211	735,936	3,696,853	163,896	55,164,647
At valuation	3,051,896	-	6,960,463	-	-	-	-	-	-	10,012,359
	3,051,896	57,444	6,960,463	44,692,800	4,539,507	1,278,211	735,936	3,696,853	163,896	65,177,006

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Furniture and fittings RM	Office equipment RM	Total RM
31 May 2013			
Cost			
At 1 June 2012	**27,427**	**160,114**	**187,541**
Additions	**2,880**	**12,269**	**15,149**
At 31 May 2013	**30,307**	**172,383**	**202,690**
Accumulated depreciation			
At 1 June 2012	**8,419**	**74,809**	**83,228**
Charge for the financial year	**2,961**	**15,961**	**18,922**
At 31 May 2013	**11,380**	**90,770**	**102,150**
Carrying value	**18,927**	**81,613**	**100,540**
31 May 2012			
Cost			
At 1 June 2011	27,427	144,852	172,279
Additions	-	15,262	15,262
At 31 May 2012	27,427	160,114	187,541
Accumulated depreciation			
At 1 June 2011	5,677	60,011	65,688
Charge for the financial year	2,742	14,798	17,540
At 31 May 2012	8,419	74,809	83,228
Carrying value	19,008	85,305	104,313

(a) Freehold land and building were revalued on 1997 by an independent firm of professional valuers. These properties were hence forth stated on the basis of the 1997 valuation, as allowed by the transitional provisions in the accounting standard on property, plant and equipment. Had the freehold land and building been carried under the cost method, their carrying values would have been as follows:

Group	Freehold land RM	Building RM
31 May 2013		
Carrying value	**986,686**	**4,547,960**
31 May 2012		
Carrying value	986,686	4,669,174

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(b) The carrying value of property, plant and equipment of the Group acquired under hire purchase are as follows:

	Group 2013 RM	Group 2012 RM
Plant and machinery	**17,070,255**	9,761,089
Motor vehicles	**5,064,854**	3,007,418
	22,135,109	12,768,507

(c) Freehold land and building with an aggregate carrying value of RM9,013,148 (2012: RM9,181,812) are pledged to a licensed bank as security for credit facilities granted to the Group as referred to Note 31 to financial statements.

13. BIOLOGICAL ASSETS

	Group 2013 RM	Group 2012 RM
At 1 June	**6,847,212**	3,886,837
Additions	**3,882,933**	2,960,375
Amortisation	**(87,290)**	-
At 31 May	**10,642,855**	6,847,212

14. INVESTMENT PROPERTIES

	Group 2013 RM	Group 2012 RM
Cost		
At 1 June	**20,647,640**	15,417,640
Reclassifications	**261,760**	-
Additions	**4,563,532**	-
Contra of property	**-**	5,230,000
At 31 May	**25,472,932**	20,647,640

14. INVESTMENT PROPERTIES (cont'd)

	Group 2013 RM	2012 RM
Accumulated depreciation		
At 1 June	**-**	-
Reclassifications	**21,060**	-
Charge for the financial year	**104,601**	-
At 31 May	**125,661**	-
Carrying value	**25,347,271**	20,647,640
Represented by:		
Freehold land	**4,197,040**	4,197,040
Leasehold lands	**16,024,831**	11,220,600
Building	**5,125,400**	5,230,000
	25,347,271	20,647,640

Investment properties with an aggregate carrying value of RM20,320,240 (2012: RM20,424,840) are pledged to certain licensed banks as security for credit facilities granted to the Group as referred to in Note 31 to the financial statements.

The fair values of the investment properties of the Group as at reporting date are estimated at RM59,948,083 (2012: RM24,846,270) based on Directors' assessment of the current prices in an active market for the respective properties within each vicinity.

15. CONCESSION ASSETS

	Group 2013 RM	2012 RM
Cost		
At 1 June	**46,299,504**	47,079,101
Reclassifications	**-**	(55,451)
Additions	**60,750**	482,050
Disposals	**-**	(1,230)
Exchange difference	**(1,795,916)**	(1,204,966)
At 31 May	**44,564,338**	46,299,504
Accumulated depreciation		
At 1 June	**13,113,537**	11,473,839
Reclassifications	**(191,465)**	(1,733,920)
Charge for the financial year	**1,596,907**	3,974,135
Disposals	**-**	(810)
Exchange difference	**(980,549)**	(599,707)
At 31 May	**13,538,430**	13,113,537
Carrying value	**31,025,908**	33,185,967

The reclassification arose from interpretation differences on what comprised concession assets and other related assets and do not affect the carrying value of the impacted assets in aggregate.

16. INVESTMENT IN SUBSIDIARIES

	Company 2013 RM	Company 2012 RM
Unquoted shares, at cost	**105,657,851**	105,657,851
Amount due from a subsidiary	**13,806,549**	8,951,404
	119,464,400	114,609,255

The details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Equity interest held 2013	Equity interest held 2012	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%	Earthwork, building and civil engineering construction works
New-Mix Concrete Industries Sdn Bhd	Malaysia	**100%**	100%	Dormant
Regional Utilities Sdn Bhd and its subsidiaries	Malaysia	**100%**	100%	Investment holding
Asian Energy Pte Ltd *	Singapore	**100%**	100%	Investment holding
Asian Utilities Pte Ltd * and its subsidiaries	Singapore	**100%**	100%	Investment holding
Green Water Investment Pte Ltd *	Singapore	**100%**	100%	Water concession
PT Taman Tirta Sidoarjo *	Indonesia	**95%**	95%	Water concession
PT Bintang Hytien Jaya *	Indonesia	**95%**	95%	Water concession
PT Hanarida Tirta Birawa *	Indonesia	**95%**	95%	Water concession

16. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation	Equity interest held 2013	Equity interest held 2012	Principal activities
Regional Utilities Sdn Bhd and its subsidiaries (cont'd)				
Asian Utilities Pte Ltd * and its subsidiaries (cont'd)				
PT Sarana Catur Tirtakelola * and its subsidiary	Indonesia	**65%**	65%	Water concession
PT Sarana Tirta Rejeki * (80% nominal equity interest held through PT Sarana Catur Tirtakelola and 10% nominal equity interest held through Asian Utilities Pte Ltd)	Indonesia	**62%**	62%	Water concession
Datapuri Sdn Bhd	Malaysia	**51%**	51%	Provision of mechanical and electrical engineering services
Mandy Corporation Sdn Bhd	Malaysia	**100%**	100%	Property development
Achwell Property Sdn Bhd	Malaysia	**100%**	100%	Property development
Gadang Land Sdn Bhd and its subsidiaries	Malaysia	**100%**	100%	Provision of project management services and investment holding
Magnaway Sdn Bhd	Malaysia	**100%**	100%	Property management and maintenance
Noble Paradise Sdn Bhd	Malaysia	**100%**	100%	Property development
Sama Pesona Sdn Bhd	Malaysia	**100%**	100%	Property development and investment
Damai Klasik Sdn Bhd	Malaysia	**100%**	100%	Property development
City Version Sdn Bhd	Malaysia	**100%**	100%	Property development
Splendid Pavilion Sdn Bhd	Malaysia	**100%**	100%	Property development
Natural Domain Sdn Bhd	Malaysia	**100%**	100%	Property development
Crimson Villa Sdn Bhd	Malaysia	**100%**	100%	Dormant

16. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation	Equity interest held 2013	Equity interest held 2012	Principal activities
Gadang Land Sdn Bhd and its subsidiaries (cont'd)				
Elegance Sonata Sdn Bhd	Malaysia	**100%**	100%	Property development
Hillstrand Development Sdn Bhd	Malaysia	**100%**	100%	Dormant
Detik Tiara Sdn Bhd	Malaysia	**100%**	100%	Property development
Skyline Symphony Sdn Bhd	Malaysia	**100%**	100%	Property development
Prelude Avenue Sdn Bhd	Malaysia	**100%**	100%	Dormant
Gadang Properties Sdn Bhd and its subsidiary	Malaysia	**100%**	100%	Property development and investment
Buildmark Sdn Bhd	Malaysia	**100%**	100%	Property development and investment
Flora Masyhur Sdn Bhd and its subsidiary	Malaysia	**100%**	100%	Property development
Camar Ajaib Sdn Bhd	Malaysia	**100%**	100%	Property development
Gadang International (HK) Ltd * and its subsidiary	Hong Kong	**100%**	100%	Dormant
Jiawei Environment International Investment (HK) Ltd *	Hong Kong	**100%**	100%	Dormant
GLP Resources (M) Sdn Bhd and its subsidiaries	Malaysia	**100%**	100%	General Trading
GLP Manufacturing (M) Sdn Bhd	Malaysia	**100%**	100%	General Trading
GLP Paints (M) Sdn Bhd	Malaysia	**100%**	100%	Dormant
Gadang Plantations Holdings Sdn Bhd and its subsidiaries	Malaysia	**100%**	100%	Investment holding
Desiran Impian Sdn Bhd	Malaysia	**100%**	100%	Oil palm plantation
Jauhari Mahir Sdn Bhd	Malaysia	**100%**	100%	Dormant

** Not audited by PKF*

16. INVESTMENT IN SUBSIDIARIES (cont'd)

Acquisition of subsidiaries in the previous financial year

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

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

(ii) On 3 April 2012, Gadang Land Sdn. Bhd., the Company's wholly-owned subsidiary, had acquired 2 ordinary shares of RM1.00 each representing 100% equity interest in Prelude Avenue Sdn. Bhd. ("PASB") for total consideration of RM2.00. PASB was incorporated on 28 December 2010 and its principal activity is dormant.

The acquisition of subsidiaries as disclosed above does not have any material effect on the financial position and results of the Group.

17. INVESTMENT IN ASSOCIATE

	Group	
	2013 RM	2012 RM
In Malaysia:		
Unquoted shares, at cost	**25**	25
Share of post-acquisition reserves	**(25)**	(25)
	-	-

The details of associate are as follows:

Name of associate	Country of incorporation	Equity interest held 2013	Equity interest held 2012	Principal activity
Maha Abadi Sdn Bhd	Malaysia	**25%**	25%	Dormant

18. OTHER INVESTMENTS

	Group	
	2013 RM	2012 RM
Available-for-sale		
Unquoted shares, at cost	**100,000**	100,000
Golf club membership	**63,000**	126,000
	163,000	226,000

19. GOODWILL ON CONSOLIDATION

	Group 2013 RM	2012 RM
Cost		
At 1 June	**29,566,060**	29,156,901
Reclassification	**-**	409,159
At 31 May	**29,566,060**	29,566,060
Accumulated amortisation and impairment		
At 1 June	**12,271,169**	12,271,169
Impairment loss	**6,871,932**	-
At 31 May	**19,143,101**	12,271,169
Carrying value	**10,422,959**	17,294,891

Impairment tests for goodwill

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

	Group 2013 RM	2012 RM
At 31 May		
Property development	**5,939,203**	12,811,135
Water concession	**4,483,756**	4,483,756
	10,422,959	17,294,891
Discount rate		
Property development	**7.8%**	7.8%
Water concession	**13.0% - 15.0%**	13.0% - 15.0%

The recoverable amount of a CGU is determined based on value in use calculations by applying a discounted cash flows model based on financial budgets approved by management covering a 5 to 22 years period. Cash flows beyond the five-year period are projected based on the assumptions that the 5th year operating cash flow will be generated by the respective CGUs perpetually. Discount rate used is based on the pre-tax weighted average cost of capital.

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

20. DEFERRED TAX

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
At 1 June	**7,755,053**	5,207,997	**23,861**	23,861
Recognised in profit or loss (Note 10)	**2,835,857**	2,547,056	**-**	-
Exchange difference	**99,019**	-	**-**	-
At 31 May	**10,689,929**	7,755,053	**23,861**	23,861
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	**14,502,149**	8,519,728	**23,861**	23,861
Deferred tax assets	**(3,812,220)**	(764,675)	**-**	-
	10,689,929	7,755,053	**23,861**	23,861

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

Group	Land under development RM	Concession assets RM	Property, plant and equipment RM	Total RM
Deferred tax liabilities				
At 1 June 2012	3,053,812	1,900,114	3,565,802	8,519,728
Recognised in profit or loss	253,453	2,357,985	3,285,033	5,896,471
Exchange difference	-	85,950	-	85,950
At 31 May 2013	**3,307,265**	**4,344,049**	**6,850,835**	**14,502,149**
At 1 June 2011	3,000,688	1,872,781	1,155,838	6,029,307
Recognised in profit or loss	53,124	27,333	2,409,964	2,490,421
At 31 May 2012	3,053,812	1,900,114	3,565,802	8,519,728

20. DEFERRED TAX (cont'd)

The components and movements of deferred tax liabilities during the financial year prior to offsetting are as follows (cont'd):

Group	Unutilised tax losses	Unabsorbed capital allowances	Total RM
Deferred tax assets			
At 1 June 2012	(764,675)	-	(764,675)
Recognised in profit or loss	(2,932,293)	(128,321)	(3,060,614)
Exchange difference	13,069	-	13,069
At 31 May 2013	**(3,683,899)**	**(128,321)**	**(3,812,220)**
At 1 June 2011	(821,310)	-	(821,310)
Recognised in profit or loss	56,635	-	56,635
At 31 May 2012	(764,675)	-	(764,675)

Company	Property, plant and equipment RM
Deferred tax liabilities	
At 1 June 2012	23,861
Recognised in profit or loss	-
At 31 May 2013	**23,861**
At 1 June 2011	23,861
Recognised in profit or loss	-
At 31 May 2012	23,861

As at reporting date, the Group has the following unutilised tax losses and unabsorbed capital allowances that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax is recognised due to uncertainty of its recoverability:

Group	2013 RM	2012 RM
Unutilised tax losses	**7,075,975**	4,866,641
Unabsorbed capital allowances	**1,666,230**	3,585,026
	8,742,205	8,451,667

21. PROPERTY DEVELOPMENT COSTS

	Group 2013 RM	Group 2012 RM
Cumulative property development costs		
At 1 June		
Freehold land	**64,461,741**	81,753,906
Leasehold land	**25,855,706**	25,855,706
Development costs	**144,362,740**	72,222,539
	234,680,187	179,832,151
Costs incurred during the financial year:		
Freehold land	**14,489,437**	(17,292,165)
Leasehold land	**33,985,365**	-
Development costs	**11,322,403**	72,140,197
	59,797,205	54,848,032
	294,477,392	234,680,183
Cumulative costs recognised in profit or loss		
At 1 June	**(95,979,010)**	(67,998,285)
Recognised during the financial year	**(58,294,145)**	(27,980,722)
At 31 May	**(154,273,155)**	(95,979,007)
Property development costs at 31 May	**140,204,237**	138,701,176
Analysed as:		
Freehold land	**78,951,178**	64,461,741
Leasehold land	**59,841,071**	25,855,706
Development costs	**155,685,143**	144,362,736
Cumulative costs recognised in profit or loss	**(154,273,155)**	(95,979,007)
	140,204,237	138,701,176

(a) The freehold land under development of the Group with a carrying value of RM44,501,735 (2012: RM42,860,398) is charged as security for term loans and credit facilities granted to the Company and certain subsidiaries as referred to in Note 31 to the financial statements.

(b) The leasehold land under development of the Group with a carrying value of RM33,985,365 (2012: RM15,658,135) has been pledged to licensed banks as security for term loans and credit facilities granted to certain subsidiaries as referred to in Note 31 to the financial statements.

(c) Included in property development costs of the Group are amounts totaling RM2,054,622 (2012: RM Nil) representing fair value adjustments on non-trade payable capitalised during the financial year as referred to in Note 33 to the financial statements.

22. AMOUNT DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group 2013 RM	Group 2012 RM
Construction contract costs incurred to date	**1,638,824,952**	1,769,048,435
Attributable profits	**87,280,908**	84,187,891
	1,726,105,860	1,853,236,326
Less: Progress billings	**(1,709,351,756)**	(1,786,209,430)
Due from customers on contacts work-in-progress	**16,754,104**	67,026,896
Due from customers on completed contracts for which final accounts have not been issued	**(53,836)**	2,864,767
	16,700,268	69,891,663
Presented as:		
Amount due from customers on contracts	**35,500,629**	69,939,512
Amount due to customers on contracts	**(18,800,361)**	(47,849)
	16,700,268	69,891,663
Advances received on contracts, included within trade payables (Note 33)	**17,153,032**	11,803,169
Retention sum on contracts, included within trade receivables (Note 24)	**1,960,005**	17,687,430
Contract costs recognised as an expense	**257,951,475**	160,811,064

Revenue from construction contracts recognised during the financial year is disclosed in Note 3 to the financial statements.

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

	Group 2013 RM	Group 2012 RM
Depreciation of property, plant and equipment	**6,780,153**	7,102,402
Hire of plant and machinery	**8,930,518**	15,105,408

23. INVENTORIES

	Group 2013 RM	Group 2012 RM
Cost		
Raw materials	**203,107**	32,307
Oil palm nurseries	**46,572**	423,820
Finished goods	**-**	290,457
Properties held for sale	**758,603**	863,822
	1,008,282	1,610,406

24. TRADE AND NON-TRADE RECEIVABLES

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Trade receivables	**30,233,585**	30,371,712	**-**	-
Retention sum (Note 22)	**1,960,005**	17,687,430	**-**	-
Accrued billings on contracts for property development costs	**-**	10,000,000	**-**	-
Amount due from subsidiaries (Note 25)	**-**	-	**81,497,280**	125,460,824
Non-trade receivables	**4,245,864**	10,032,410	**29,951**	104,464
Prepayments	**1,672,717**	484,073	**73,442**	31,352
Deposits	**2,416,571**	1,875,306	**1,000**	1,000
Advances to subcontractors	**6,750,753**	3,647,840	**-**	-
Liquidated ascertained damages receivable from sub-contractor	**337,874**	-	**-**	-
	15,423,779	16,039,629	**81,601,673**	125,597,640
	47,617,369	74,098,771	**81,601,673**	125,597,640
Less: Impairment loss				
At 1 June	**(17,368,268)**	(14,231,387)	**-**	-
Additions	**(54,768)**	(3,136,881)	**(586,756)**	-
Impairment loss no longer required	**1,026,742**	-	**-**	-
Written off	**14,529,889**	-	**-**	-
At 31 May	**(1,866,405)**	(17,368,268)	**(586,756)**	-
Less: Fair value adjustments				
- non-trade receivable	**(212,599)**	-	**-**	-
- amount due from a subsidiary	**-**	-	**(74,231)**	-
Trade and non-trade receivables	**45,538,365**	56,730,503	**80,940,686**	125,597,640

24. TRADE AND NON-TRADE RECEIVABLES (cont'd)

The maturities of trade and non-trade receivables are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current asset:				
Receivables within one year	**45,034,964**	56,730,503	**80,764,917**	125,597,640
Non-current asset:				
Receivables more than one year and less than five years	**503,401**	-	**175,769**	-
	45,538,365	56,730,503	**80,940,686**	125,597,640

The Group's normal trade credit term ranges from 30 to 90 days (2012: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

25. AMOUNT DUE FROM/(TO) SUBSIDIARIES

The amount represents current balances which are unsecured, interest free and repayable on demand.

The amount represents non-current balances which are unsecured, interest free and repayable within the next five years (2012: repayable on demand).

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Deposits with licensed banks	**53,547,729**	34,078,642	**9,476,568**	9,238,720
Cash and bank balances	**83,015,590**	15,489,692	**29,729,673**	392,846
Bank overdrafts (Note 31)	**(1,746,198)**	(14,050,921)	**-**	-
	134,817,121	35,517,413	**39,206,241**	9,631,566
Less: Fixed deposits pledged as security values	**(39,466,371)**	(33,860,673)	**(9,476,568)**	(9,238,720)
Cash and cash equivalents	**95,350,750**	1,656,740	**29,729,673**	392,846

(a) Included in cash and bank balances of the Group is an amount of RM2,893,083 (2012: RM869,481) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and therefore are restricted from use in other operations.

26. CASH AND CASH EQUIVALENTS (cont'd)

(b) Deposits with licensed banks of the Group and of the Company amounting to RM39,466,371 and RM9,476,568 (2012: RM33,860,673 and RM9,238,720) are pledged to banks for credit facilities granted to the Group and the Company respectively, as referred to in Note 31 to the financial statements.

(c) Deposits placed with licensed banks have maturity periods which ranges from 1 month to 12 months (2012: 1 month to 12 months).

(d) The interest rates for deposits ranges from 2.55% to 6.00% (2012: 2.30% to 6.00%) per annum.

27. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The assets and liabilities classified as held for sale as at reporting date are as follows:

	Group	
	2013 RM	2012 RM
Assets classified as held for sale		
Property, plant and equipment		
- Cost	**4,167,017**	-
- Accumulated depreciation	**(2,414,434)**	-
- Carrying value	**1,752,583**	-
Deferred tax assets	**119,855**	-
Trade and non-trade receivables	**467,878**	-
Cash and bank balances	**1,271,947**	-
	3,612,263	-
Less: Impairment loss	**(554,075)**	-
	3,058,188	-
Liabilities classified as held for sale		
Employee benefit obligation	**260,534**	-
Trade and non-trade payables	**562,709**	-
Tax payable	**106,929**	-
	930,172	-

On 16 July 2013, the Company announced that its indirect wholly-owned subsidiary, Asian Utilities Pte Ltd entered into a Conditional Sales and Purchase of Shares Agreement with Hj. Ratna Dewi Panduwinata to dispose of 5,800 shares representing its entire 65% equity interest in PT. Sarana Catur Tirtakelola ("SCTK") and 700 shares representing its entire 10% equity interest in PT. Sarana Tirta Rejeki ("STR"), for a total consideration of Indonesian Rupiah (IDR) 6.5 billion (equivalent to approximately RM2.1 million). Upon completion, SCTK and STR will cease to be indirect subsidiaries of the Company.

As at 31 May 2013, the assets and liabilities related to SCTK and STR have been presented in the statements of financial position as "Assets classified as held for sale" and "Liabilities classified as held for sale."

28. SHARE CAPITAL

	Group and Company			
	2013		2012	
	Number of shares Unit	RM	Number of shares Unit	RM
Ordinary shares of RM1 each:				
Authorised:				
At 1 June/31 May	**400,000,000**	**400,000,000**	400,000,000	400,000,000
Issued and fully paid:				
At 1 June/31 May	**196,691,218**	**196,691,218**	196,691,218	196,691,218

29. RESERVES

		Group		Company	
	Note	2013 RM	2012 RM	2013 RM	2012 RM
Non-distributable					
Warrant reserves	29(a)	**6,175,984**	6,175,984	**6,175,984**	6,175,984
Capital reserves	29(b)	**1,346,681**	1,346,681	**-**	-
Foreign exchange reserves	29(c)	**(1,915,273)**	(1,135,315)	**-**	-
		5,607,392	6,387,350	**6,175,984**	6,175,984
Distributable					
Retained profits	29(d)	**60,290,696**	42,771,375	**7,696,794**	5,735,865
		65,898,088	49,158,725	**13,872,778**	11,911,849

(a) Warrant reserves

On 6 September 2010, the Group and the Company issued a Renounceable Two-Call Rights Issue of 78,677,194 new ordinary shares of RM1.00 each in the Group and the Company on the basis of 2 rights shares for every 3 existing shares of the Group and of the Company together with 19,669,299 free detachable warrants on the basis of every 4 rights shares held in the Group and in the Company at an issue price of RM1.00 per rights shares, of which the first call of RM0.65 is payable in cash on application and the second call of RM0.35 is to be capitalised from the Group and the Company's share premium and retained profits accounts.

The Warrants 2010/2015 have an exercise price of RM1.00 per warrant.

(b) Capital reserves

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

29. RESERVES (cont'd)

(c) Foreign exchange reserves

The foreign exchange reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(d) Retained profits

Prior to the Year of Assessment 2008, Malaysian companies adopted the full tax 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 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 Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 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 Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 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 2013, the Company has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained profits.

30. NON-CONTROLLING INTERESTS

Non-controlling interests in the Group represent that part of the net results of operations, or of net assets, of subsidiary attributable to shares and debentures, directly or indirectly other than by the Company or subsidiaries.

The movement in minority interest in subsidiaries are as follows:

	Group	
	2013 RM	2012 RM
At 1 June	**3,735,310**	4,505,576
Share of results attributable to non-controlling interests	**106,325**	(770,266)
At 31 May	**3,841,635**	3,735,310

31. BANK BORROWINGS

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Current				
Secured:				
Bank overdrafts	**1,746,198**	14,050,921	**-**	-
Bankers' acceptances	**-**	3,495,167	**-**	-
Revolving credits	**10,502,154**	13,471,250	**-**	3,499,203
Trust receipts	**600,000**	896,847	**-**	-
Term loans	**8,393,992**	10,447,173	**-**	-
Hire purchase payables	**5,360,636**	2,523,789	**-**	-
	26,602,980	44,885,147	**-**	3,499,203
Non-current				
Secured:				
Term loans	**48,816,992**	44,178,055	**-**	-
Hire purchase payables	**7,665,366**	3,888,035	**-**	-
	56,482,358	48,066,090	**-**	-
Total bank borrowings	**83,085,338**	92,951,237	**-**	3,499,203

The maturities of the bank borrowings as at reporting date are as follows:

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
On demand or within one year	**26,602,980**	44,885,147	**-**	3,499,203
More than one year and less than two years	**9,904,653**	12,970,962	**-**	-
More than two years and less than five years	**20,471,948**	17,973,002	**-**	-
Five years or more	**26,105,757**	17,122,126	**-**	-
	83,085,338	92,951,237	**-**	3,499,203

(a) Bank borrowings are secured by the following:

(i) charge over freehold land and building of the Group as disclosed in Note 12 to the financial statements;

(ii) charge over freehold land under development of the Group as disclosed in Note 21(a) to the financial statements;

(iii) charge over leasehold land under development of the Group as disclosed in Note 21(b) to the financial statements;

(iv) charge over investment properties of the Group as disclosed in Note 14 to the financial statements;

(v) corporate guarantee by the Company; and

(vi) deposits with licensed banks of the Group and of the Company as disclosed in Note 26(b) to the financial statements.

31. BANK BORROWINGS (cont'd)

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

	Group		Company	
	2013 %	2012 %	2013 %	2012 %
Bank overdrafts	**7.66**	7.80	**-**	-
Bankers' acceptances	**-**	5.11	**-**	-
Revolving credits	**5.53**	6.00	**-**	5.16
Trust receipts	**7.85**	8.10	**-**	-
Term loans	**7.25**	7.18	**-**	-

(c) Analysis of hire purchase payables:

	Group	
	2013 RM	2012 RM
Minimum hire purchase payments:		
Repayable within one year	**5,957,166**	2,858,032
Repayable within one to two years	**4,576,923**	2,401,193
Repayable within two to five years	**3,857,392**	1,493,786
Repayable after five years	**103,556**	580,922
	14,495,037	7,333,933
Less: Future finance charges	**(1,469,035)**	(922,109)
Present value of hire purchase liabilities	**13,026,002**	6,411,824
Present value of hire purchase liabilities:		
Repayable within one year	**5,360,636**	2,523,789
Repayable within one to two years	**4,062,580**	2,216,720
Repayable within two to five years	**3,517,853**	1,299,189
Repayable after five years	**84,933**	372,126
	13,026,002	6,411,824
Representing hire purchase liabilities:		
Current portion	**5,360,636**	2,523,789
Non-current portion	**7,665,366**	3,888,035
	13,026,002	6,411,824

The hire purchase payables bear interest at the rates ranging from 2.45% to 7.85% (2012: 1.98% to 10.73%) per annum.

32. DEFINED BENEFIT OBLIGATIONS

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

	Group	
	2013 RM	2012 RM
At 1 June	**1,233,541**	1,202,664
Recognised in profit or loss	**317,189**	297,067
Exchange difference	**(104,874)**	(266,190)
Liability classified as held for sale	**(260,534)**	-
At 31 May	**1,185,322**	1,233,541
Analysed as:		
Present value of benefit obligation	**1,726,870**	1,362,097
Fair value of plan assets	**-**	-
Funded status	**1,726,870**	1,362,097
Unrecognised actuarial past service cost	**(71,507)**	(10,602)
Unrecognised actuarial loss	**(209,507)**	(117,954)
	1,445,856	1,233,541
Liability classified as held for sale	**(260,534)**	-
Liabilities recognised in the statement of financial position	**1,185,322**	1,233,541
Breakdown of costs:		
Service cost	**180,178**	459,060
Interest cost	**90,660**	299,045
Amortisation from unrecognised past service cost	**3,103**	9,935
Recognised actuarial loss/(gain)	**43,248**	(61,352)
Past service cost - vested	**-**	42,263
Effects of curtailments or settlement	**-**	(451,884)
Total cost incurred during the financial year	**317,189**	297,067

The Group has calculated the estimated employee benefit liability in accordance with Republic Indonesia Labour Law and the application of this liability has represented by an independent actuary calculation reports. Actuarial assumptions used in determining expense and liabilities on employee benefit are as follows:

	Group	
	2013	2012
Normal retirement age	**55 years**	55 years
Future salary increment rate	**9% p.a.**	9% p.a.
Discount rate	**6% - 7% p.a.**	6% - 9% p.a.

33. TRADE AND NON-TRADE PAYABLES

		Group		Company	
	Note	2013 RM	2012 RM	2013 RM	2012 RM
Trade payables	33(a)	**64,260,233**	53,552,356	**-**	-
Accrued subcontractor work		**23,258,029**	15,327,986	**-**	-
Advances from customers on contracts	22	**17,153,032**	11,803,169	**-**	-
Non-trade payables		**14,905,164**	20,696,658	**-**	-
Accruals		**1,774,788**	5,274,096	**192,060**	221,229
Deposits		**-**	378,164	**-**	-
Amount due to a director	33(b)	**3,510,697**	4,010,697	**-**	-
Amount due to subsidiaries	25	**-**	-	**29,664,410**	39,539,398
		124,861,943	111,043,126	**29,856,470**	39,760,627
Less:					
Fair value adjustment					
- amount due to a director		**(1,042,415)**	-	**-**	-
- non-trade payable		**(2,054,622)**	-	**-**	-
		121,764,906	111,043,126	**29,856,470**	39,760,627

The maturities of trade and non-trade payables are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current liability:				
Payables within one year	**110,215,178**	111,043,126	**29,856,470**	39,760,627
Non-current liability:				
Payables more than one year and less than five years	**11,549,728**	-	**-**	-
	121,764,906	111,043,126	**29,856,470**	39,760,627

33. TRADE AND NON-TRADE PAYABLES (cont'd)

(a) Included in trade payables of the Group are amounts due to parties related to Directors of the Company. Balances as at end of the reporting period are as follows:

	Group 2013 RM	Group 2012 RM
Parties related to Tan Sri Dato' Kok Onn:		
- Kok Khim Boon (brother)	**340,512**	431,364
- Kok Kiw (brother) and KNL Jaya Construction Sdn Bhd (company connected to Kok Kiw)	**-**	53,323
- Kok Thiam Fook (cousin)	**-**	71,225
- Magnibiz Sdn Bhd (brother-in-law is a shareholder in the Company)	**-**	102,260
	340,512	658,172

(b) Advances from Raja Zainal Abidin Bin Raja Hussin, a Director of a subsidiary, are unsecured, interest free and repayable within the next five years (2012: repayable on demand).

(c) The normal trade credit terms granted to Group ranges from 30 to 90 (2012: 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

34. PROVISIONS

	Group 2013 RM	Group 2012 RM
Provision for liquidated ascertained damages		
At 1 June	**163,971**	891,709
Reversal	**-**	(727,738)
At 31 May	**163,971**	163,971

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

35. DIVIDENDS PAID ON ORDINARY SHARES

On 21 November 2012, the shareholders approved a first and final dividend of 2% per share less 25% income tax on 196,691,218 ordinary shares for the financial year ended 31 May 2012, amounting to RM2,950,369 which was paid on 27 December 2012.

The Directors proposed a first and final dividend of 3% per share less 25% income tax on 196,691,218 ordinary shares for the financial year ended 31 May 2013, amounting to RM4,425,552 which is subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

36. JOINTLY-CONTROLLED ENTITIES

The details of jointly-controlled entities, all of which are unincorporated as joint ventures, are as follows:

Name of jointly controlled entities	Country of operation	Proportion of ownership 2013	2012	Principal activities
Held by Gadang Engineering (M) Sdn Bhd:				
- Konsortium Gadang Perembun *	Malaysia	**55%**	55%	Undertake design and build of Cheras Rehabilitation Hospital
Held by Datapuri Sdn Bhd:				
- Zeta Datapuri JV *	Malaysia	**45%**	45%	Undertake the development of new LCCT terminal and associated works at KL International Airport

The aggregate amount of each of the current assets, non-current assets, current liabilities, non-current liabilities, revenue and expenses related to the Group's interest in the jointly-controlled entities are as follows:

	Group 2013 RM	2012 RM
ASSETS AND LIABILITIES		
Non-current assets	**181,140**	285,227
Current assets	**28,334,189**	25,185,662
Total assets	**28,515,329**	25,470,889
Non-current liabilities	**4,934,314**	-
Current liabilities	**394,029**	14,987,845
Total liabilities	**5,328,343**	14,987,845
REVENUE AND EXPENSES		
Revenue	**3,476,245**	38,562,711
Expenses, including finance costs and taxation	**110,411**	4,762,801

* *The Group recognises its interest in the jointly-controlled entities using the proportionate consolidation method as described in Note 2(a)(vii) to the financial statements.*

37. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions between the Group and the Company and its related parties during the financial year were as follows:

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
With subsidiaries					
Gross dividends income		**-**	-	**8,000,000**	5,400,000
Management fees income		**-**	-	**3,050,000**	3,050,000
Rental expense - land and building		**-**	-	**202,414**	213,703
With related parties					
Subcontractor work payable to					
- Datapuri Sdn Bhd	36(a)	**4,544,581**	2,247,396	**-**	-
- Kok Khim Boon	36(b)	**2,175,556**	2,177,808	**-**	-
- Kok Thiam Fook	36(c)	**10,028**	50,667	**-**	-
With key management personnel					
Directors	8				
Salaries and other emoluments		**3,419,805**	3,098,893	**517,074**	379,082
Defined contribution plan		**213,860**	161,478	**8,281**	-
		3,633,665	3,260,371	**525,355**	379,082
Senior management					
Salaries and other emoluments		**1,213,156**	765,355	**71,306**	103,840
Defined contribution plan		**91,301**	78,000	**7,980**	11,904
		1,304,457	843,355	**79,286**	115,744
Total compensation to key management personnel	36(d)	**4,938,122**	4,103,726	**604,641**	494,826

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

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

(c) Tan Sri Dato' Kok Onn's cousin.

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

The Directors are of the opinion that the terms and conditions and prices of the above transactions are not materially different obtainable in transactions with unrelated parties.

38. CONTINGENT LIABILITIES

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Secured				
Bank guarantees issued to:				
- Director General of Immigration Malaysia	**405,250**	214,225	**-**	-
	405,250	214,225	**-**	-
Secured				
Corporate guarantee issued to:				
- financial institutions for banking and hire purchase facilities granted to subsidiaries	**-**	-	**83,009,289**	190,369,462
- financial institutions for bank guarantees granted on behalf of third parties in the ordinary course of business	**183,563,509**	90,410,022	**13,405,084**	13,554,484
- third parties on behalf of subsidiaries	**15,484**	341,384	**15,484**	341,384
- suppliers of subsidiaries	**20,500,000**	41,950,000	**20,500,000**	41,950,000
- tenderer as tender bonds	**-**	3,945,511	**-**	-
	204,078,993	136,646,917	**116,929,857**	246,215,330
	204,484,243	136,861,142	**116,929,857**	246,215,330

39. CAPITAL COMMITMENTS

Capital commitments as at the reporting date are as follows:

	Group 2013 RM	Group 2012 RM
Approved and contracted for:		
Purchase of land for property development	**13,000,000**	13,000,000
Approved but not contracted for:		
Oil palm plantations development	**7,900,000**	9,200,000

40. SEGMENT INFORMATION

(a) Reporting format

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

(b) Business segments

The Group comprises the following main business segments:

(i) Construction division – involved in bulk earthworks, general construction, construction of commercial, industrial and residential buildings and design and build works.

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

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

(iv) Investment holding and others – investment holding and inter-companies' trading.

(v) Plantation division – oil palm cultivation.

40. SEGMENT INFORMATION (cont'd)

(b) Business segments (cont'd)

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

Group	Construction division RM	Property division RM	Utility division RM	Investment holding and others RM	Plantation division RM	Elimination RM	Consolidated RM
31 May 2013							
Revenue							
External sales	265,664,870	73,516,484	17,151,041	-	133,907		356,466,302
Inter-segment sales	27,869,731	517,514	-	28,803,490	-	(57,190,735)	-
Total revenue	293,534,601	74,033,998	17,151,041	28,803,490	133,907		356,466,302
Results							
Segment results	10,898,256	25,702,283	4,704,015	8,571,232	(752,476)	(15,053,269)	34,070,041
Finance costs	(957,049)	(228,861)	(282,313)	(338,098)	(22,014)	230,598	(1,597,737)
Profit/(Loss) before tax	9,941,207	25,473,422	4,421,702	8,233,134	(774,490)		32,472,304
Income tax expense							(11,809,161)
Profit for the financial year							20,663,143
Attributable to:							
Owners of the Company							20,469,690
Non-controlling interests							193,453
							20,663,143
Segment assets	251,995,406	211,772,502	54,125,403	244,001,065	14,441,741	(265,569,694)	510,766,423
Unallocated assets							-
Total assets							510,766,423
Segment liabilities	188,848,867	119,270,317	48,214,740	35,985,393	1,552,385	(149,536,220)	244,335,482
Unallocated liabilities							-
Total liabilities							244,335,482
Other information							
Depreciation and amortisation	7,988,482	423,429	2,021,088	43,261	242,445	-	10,718,705
Capital expenditure	16,898,220	151,824	481,541	15,149	5,117,131	-	22,663,865

40. SEGMENT INFORMATION (cont'd)

(b) Business segments (cont'd)

Group	Construction division RM	Property division RM	Utility division RM	Investment holding and others RM	Plantation division RM	Elimination RM	Consolidated RM
31 May 2012							
Revenue							
External sales	189,126,725	40,889,847	16,330,968	-	-		246,347,540
Inter-segment sales	4,000,227	528,804	-	34,926,065	-	(39,455,096)	-
Total revenue	193,126,952	41,418,651	16,330,968	34,926,065	-		246,347,540
Results							
Segment results	15,808,530	11,166,918	2,682,200	5,798,886	(749,713)	(13,331,102)	21,375,719
Finance costs	(1,917,502)	(302,890)	(511,543)	(714,015)	(11,597)		(3,457,547)
Profit/(Loss) before tax	13,891,028	10,864,028	2,170,657	5,084,871	(761,310)		17,918,172
Income tax expense							(4,182,996)
Profit for the financial year							13,735,176
Attributable to:							
Owners of the Company							14,451,456
Non-controlling interests							(716,280)
							13,735,176
Segment assets	251,552,840	220,575,937	48,951,541	259,490,246	8,433,006	(325,047,150)	463,956,420
Unallocated assets							764,675
Total assets							464,721,095
Segment liabilities	191,773,468	139,117,988	41,414,979	54,928,497	1,261,311	(221,880,129)	206,616,114
Unallocated liabilities							8,519,728
Total liabilities							215,135,842
Other information							
Depreciation and amortisation	7,996,707	281,699	4,412,411	134,461	115,219	-	12,940,497
Capital expenditure	2,206,572	384,829	627,167	15,262	3,118,931	-	6,352,761

40. SEGMENT INFORMATION (cont'd)

(c) Geographical segments

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

(i) Malaysia – the operations in this area are principally earthworks, building and civil engineering construction works, property development, general trading and oil palm cultivation.

(ii) Indonesia – the operations in this area are principally water concessions.

	Total revenue from external customers RM	Segment assets RM	Capital expenditure RM
31 May 2013			
Malaysia	**339,315,261**	**461,643,923**	**22,182,324**
Indonesia	**17,151,041**	**48,964,625**	**481,541**
Singapore	**-**	**157,875**	**-**
	356,466,302	**510,766,423**	**22,663,865**
31 May 2012			
Malaysia	230,016,572	415,769,556	5,725,594
Indonesia	16,330,968	47,754,623	627,167
Singapore	-	1,196,916	-
	246,347,540	464,721,095	6,352,761

41. FINANCIAL INSTRUMENTS

Categories of financial instruments

The table below provides an analysis of financial instruments categories as follows:

(a) Loan and receivables ("L&R")
(b) Financial liabilities measured at amortised cost ("FL")
(c) Available for sale ("AFS")

31 May 2013	Carrying value RM	L&R/(FL) RM	AFS RM
Financial assets			
Group			
Other investments	163,000	-	163,000
Trade and non-trade receivables	45,538,365	45,538,365	-
Deposits with licensed banks	53,547,729	53,547,729	-
Cash and bank balances	83,015,590	83,015,590	-
	182,264,684	182,101,684	163,000
Company			
Trade and non-trade receivables	80,940,686	80,940,686	-
Deposits with licensed banks	9,476,568	9,476,568	-
Cash and bank balances	29,729,673	29,729,673	-
	120,146,927	120,146,927	-
Financial liabilities			
Group			
Trade and non-trade payables	(121,764,906)	(121,764,906)	-
Provisions	(163,971)	(163,971)	-
Bank borrowings	(83,085,338)	(83,085,338)	-
	(205,014,215)	(205,014,215)	-
Company			
Trade and non-trade payables	(29,856,470)	(29,856,470)	-

41. FINANCIAL INSTRUMENTS (cont'd)

Categories of financial instruments (cont'd)

31 May 2012	Carrying value RM	L&R/(FL) RM	AFS RM
Financial assets			
Group			
Other investments	226,000	-	226,000
Trade and non-trade receivables	56,730,503	56,730,503	-
Deposits with licensed banks	34,078,642	34,078,642	-
Cash and bank balances	15,489,692	15,489,692	-
	106,524,837	106,298,837	226,000
Company			
Trade and non-trade receivables	125,597,640	125,597,640	-
Deposits with licensed banks	9,238,720	9,238,720	-
Cash and bank balances	392,846	392,846	-
	135,229,206	135,229,206	-
Financial liabilities			
Group			
Trade and non-trade payables	(111,043,126)	(111,043,126)	-
Provisions	(163,971)	(163,971)	-
Bank borrowings	(92,951,237)	(92,951,237)	-
	(204,158,334)	(204,158,334)	-
Company			
Trade and non-trade payables	(39,760,627)	(39,760,627)	-
Bank borrowings	(3,499,203)	(3,499,203)	-
	(43,259,830)	(43,259,830)	-

Financial risk management objectives and policies

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

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing its credit risk, interest rate risk, foreign currency risk and liquidity risk.

41. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

The following sections provide details regarding the Group's and the Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) *Credit risk*

The Group's and the Company's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and non-trade receivables. The Group and the Company manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group and the Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and non-trade receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by two (2012: five) customers which constituted approximately 57% (2012: 64%) of its trade receivables as at the end of the reporting period.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables by geographical region is as follows:

	Group	
	2013 RM	2012 RM
Malaysia	**28,486,445**	27,944,356
Indonesia	**1,747,140**	2,427,356
	30,233,585	30,371,712

41. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

Ageing analysis

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

Group	Gross amount RM	Individual impairment RM	Collective impairment RM	Carrying value RM
31 May 2013				
Not past due	**10,351,185**	**-**	**-**	**10,351,185**
Past due:				
- less than 3 months	**13,046,990**	**-**	**-**	**13,046,990**
- more than 3 months	**6,835,410**	**(1,834,212)**	**-**	**5,001,198**
	30,233,585	**(1,834,212)**	**-**	**28,399,373**
31 May 2012				
Not past due	3,739,209	-	-	3,739,209
Past due:				
- less than 3 months	8,456,435	-	-	8,456,435
- more than 3 months	18,176,068	(15,288,398)	-	2,887,670
	30,371,712	(15,288,398)	-	15,083,314

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 1 year, which are deemed to have higher credit risk, are monitored individually.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

41. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

(b) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises mainly from interest-earning financial assets and interest-bearing financial liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group and of the Company will be placed with licensed financial institutions to generate interest income.

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates its effective interest rates at the reporting date and the period, in which they reprice or mature, whichever is earlier.

Effective interest rates and repricing analysis

	Effective interest rate per annum %	On demand or within 1 year RM	1 - 5 years RM	Above 5 years RM	Total RM
Group					
31 May 2013					
Financial liabilities					
Bank overdrafts	**7.66**	**1,746,198**	**-**	**-**	**1,746,198**
Revolving credits	**5.53**	**10,502,154**	**-**	**-**	**10,502,154**
Trust receipts	**7.85**	**600,000**	**-**	**-**	**600,000**
Term loans	**7.25**	**8,393,992**	**22,796,168**	**26,020,824**	**57,210,984**
Hire purchase payables	**2.45 - 7.85**	**5,360,636**	**7,580,433**	**84,933**	**13,026,002**
		26,602,980	**30,376,601**	**26,105,757**	**83,085,338**
31 May 2012					
Financial liabilities					
Bank overdrafts	7.80	14,050,921	-	-	14,050,921
Bankers' acceptances	5.11	3,495,167	-	-	3,495,167
Revolving credits	6.00	13,471,250	-	-	13,471,250
Trust receipts	8.10	896,847	-	-	896,847
Term loans	7.18	10,447,173	27,428,055	16,750,000	54,625,228
Hire purchase payables	1.98 - 10.73	2,523,789	3,515,909	372,126	6,411,824
		44,885,147	30,943,964	17,122,126	92,951,237
Company					
31 May 2012					
Financial liabilities					
Revolving credit	5.16	3,499,203	-	-	3,499,203
		3,499,203	-	-	3,499,203

41. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

(b) Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

	2013 Increase/ (Decrease) RM	2012 Increase/ (Decrease) RM
Group		
Effects on profit after tax		
Increase of 10 basis points	**(62,314)**	(69,713)
Decrease of 10 basis points	**62,314**	69,713
Effects on equity		
Increase of 10 basis points	**(62,314)**	(69,713)
Decrease of 10 basis points	**62,314**	69,713
Company		
Effects on profit after tax		
Increase of 10 basis points	**-**	(2,624)
Decrease of 10 basis points	**-**	2,624
Effects on equity		
Increase of 10 basis points	**-**	(2,624)
Decrease of 10 basis points	**-**	2,624

(c) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily Singapore Dollar and Indonesian Rupiah. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

41. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

(c) Foreign currency risk (cont'd)

The exposure to foreign currency is as follows:

	Singapore Dollar RM	Indonesian Rupiah RM	Ringgit Malaysia RM	Total RM
Group				
31 May 2013				
Financial assets				
Trade and non-trade receivables	**-**	**1,972,369**	**43,565,996**	**45,538,365**
Deposits with licensed banks	**-**	**2,559,113**	**50,988,616**	**53,547,729**
Cash and bank balances	**7**	**3,291,528**	**79,724,055**	**83,015,590**
	7	**7,823,010**	**174,278,667**	**182,101,684**
Financial liabilities				
Trade and non-trade payables	**4,902**	**1,784,959**	**119,975,045**	**121,764,906**
Bank borrowings	**-**	**1,568,708**	**81,516,630**	**83,085,338**
	4,902	**3,353,667**	**201,491,675**	**204,850,244**
Net currency exposure	**(4,895)**	**4,469,343**	**(27,213,008)**	**(22,748,560)**
31 May 2012				
Financial assets				
Trade and non-trade receivables	-	3,899,996	52,830,507	56,730,503
Deposits with licensed banks	-	-	34,078,642	34,078,642
Cash and bank balances	7	2,656,286	12,833,399	15,489,692
	7	6,556,282	99,742,548	106,298,837
Financial liabilities				
Trade and non-trade payables	71,076	2,152,665	108,819,385	111,043,126
Bank borrowings	-	1,740,302	91,210,935	92,951,237
	71,076	3,892,967	200,030,320	203,994,363
Net currency exposure	(71,069)	2,663,315	(100,287,772)	(97,695,526)

41. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

(c) Foreign currency risk (cont'd)

Foreign currency risk sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the exchange rates against the respective functional currencies of the Group, with all other variable held constant:

	2013 Increase/ (Decrease) RM	2012 Increase/ (Decrease) RM
Group		
Effects on profit after tax		
SGD/RM		
Strengthened by 5%	**(184)**	(2,665)
Weakened by 5%	**184**	2,665
IDR/RM		
Strengthened by 5%	**167,600**	99,874
Weakened by 5%	**(167,600)**	(99,874)

(d) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group and the Company practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

41. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

	Carrying amount RM	On demand or within one year RM	After one year RM
Group			
31 May 2013			
Trade and non-trade payables	**121,764,906**	**110,215,178**	**11,549,728**
Provisions	**163,971**	**163,971**	**-**
Bank borrowings	**83,085,338**	**26,602,980**	**56,482,358**
	205,014,215	**136,982,129**	**68,032,086**
31 May 2012			
Trade and non-trade payables	111,043,126	111,043,126	-
Provisions	163,971	163,971	-
Bank borrowings	92,951,237	44,885,147	48,066,090
	204,158,334	156,092,244	48,066,090
Company			
31 May 2013			
Trade and non-trade payables	**29,856,470**	**29,856,470**	**-**
31 May 2012			
Trade and non-trade payables	39,760,627	39,760,627	-
Bank borrowings	3,499,203	3,499,203	-
	43,259,830	43,259,830	-

42. FAIR VALUE

Fair value of financial instruments

The financial assets and financial liabilities maturing within the next 12 months approximated fair values due to the relatively short-term maturity of the financial instruments.

The fair values of other financial liabilities together with the carrying amounts shown in the statements of financial position are as follows:

Group	2013 Carrying amount RM	2013 Fair value RM	2012 Carrying amount RM	2012 Fair value RM
Financial liabilities				
Hire purchase payables	**13,026,002**	**14,398,702**	6,411,824	7,186,614

Fair value hierarchy

The table below analyses financial instrument carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Input for the assets or liabilities that are not based on observable market data (unobservable inputs).

31 May 2013	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group				
Financial asset				
Non-trade receivables (non-current)	**-**	**-**	**503,401**	**503,401**
Financial liability				
Non-trade payables (non-current)	**-**	**-**	**11,549,728**	**11,549,728**
Company				
Financial asset				
Non-trade receivable (non-current)	**-**	**-**	**175,769**	**175,769**

43. CAPITAL MANAGEMENT

The Group and the Company manages its capital to ensure the Group and the Company will maintain an optimal capital structure so as to support the businesses and maximise shareholder value. To achieve this objective, the Group and the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group and the Company manages its capital based on debt-to-equity ratio. The Group's and the Company's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total capital.

Net debt is calculated as trade and non-trade payables, provisions, bank borrowings and defined benefit obligations, less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Trade and non-trade payables	**121,764,906**	111,043,126	**29,856,470**	39,760,627
Provisions	**163,971**	163,971	**-**	-
Bank borrowings	**83,085,338**	92,951,237	**-**	3,499,203
Defined benefit obligations	**1,185,322**	1,233,541	**-**	-
	206,199,537	205,391,875	**29,856,470**	43,259,830
Less: Cash and cash equivalents	**(95,350,750)**	(1,656,740)	**(29,729,673)**	(392,846)
Net debt	**110,848,787**	203,735,135	**126,797**	42,866,984
Equity attributable to Owners of the Company	**266,430,941**	249,585,253	**210,563,996**	208,603,067
Total capital	**377,279,728**	453,320,388	**210,690,793**	251,470,051
Gearing ratio (times)	**0.29**	0.45	**0.00**	0.17

44. SIGNIFICANT EVENTS

(i) On 31 May 2012, the Company's indirect wholly-owned subsidiary, Elegance Sonata Sdn Bhd entered into a Sale and Purchase Agreement ("SPA") with Blossom Acacia Sdn Bhd to dispose two (2) parcels of freehold land in Penang (Penang Land") for a total cash consideration of RM31,544,845 only. The disposal of Penang Land was completed on 19 September 2012.

(ii) On 10 July 2012, the Company's wholly-owned subsidiary, Gadang Engineering (M) Sdn Bhd had accepted the Letter of Acceptance from Mass Rapid Transit Corporation Sdn Bhd for the Project Mass Rapid Transit Lembah Klang: Jajaran Sungai Buloh – Kajang – Package V2 ("the Package") at total contract sum of RM863,393,908.

The Project involves the construction and completion of viaduct guideway and other associated works from Kota Damansara Station to Dataran Sunway Statation.

(iii) On 5 October 2012, the Company's wholly-owned subsidiary, Gadang Engineering (M) Sdn Bhd had accepted the Letter of Award from Petroliam Nasional Berhad for the contract known as "Provision of Phase 1 Site Preparation Work for the Proposed Refinery and Petrochemical Integrated Development (RAPID) Project – Package 1" at an estimated provisional contract price of RM312,800,000.

45. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

(i) On 16 July 2013, the Company's indirect wholly-owned subsidiary, Asian Utilities Pte Ltd entered into a Conditional Sales and Purchase of Shares Agreement with Hj. Ratna Dewi Panduwinata to dispose of 5,800 shares representing its entire 65% equity interest in PT. Sarana Catur Tirtakelola ("SCTK") and 700 shares representing its entire 10% equity interest in PT. Sarana Tirta Rejeki ("STR"), for a total consideration of Indonesian Rupiah (IDR) 6.5 billion (equivalent to approximately RM2.1 million). Upon completion, SCTK and STR will cease to be indirect subsidiaries of the Company.

(ii) On 7 August 2013, the Company had accepted the Letter of Acceptance from Cyberview Sdn Bhd dated 5 August 2013 as the Developer Partner to develop 2,500 housing units on 109.31 acres of land in Cyberjaya, Selangor Darul Ehsan ("Housing Development for K-Workers in Cyberjaya") based on the terms and conditions therein and other terms and conditions to be mutually agreed by the parties to be set out in Definitive Agreement between the parties.

46. SUPPLEMENTARY INFORMATION – BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

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

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Total retained profits				
- realised	**70,980,625**	50,526,428	**7,720,655**	5,759,726
- unrealised	**(10,689,929)**	(7,755,053)	**(23,861)**	(23,861)
	60,290,696	42,771,375	**7,696,794**	5,735,865

47. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are investment holding and the provision of management services. The principal activities of its subsidiaries are as disclosed in Note 16 to the financial statements.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

The registered office and principal place of business is located at Wisma Gadang, No. 52, Jalan Tago 2, Off Jalan Persiaran Utama, Sri Damansara, 52200 Kuala Lumpur.

The financial statements were approved and authorised for issue by the Board of Directors on 19 September 2013.

LIST OF PROPERTIES

as at 31 May 2013

Title/Location	Description/ Existing use	Tenure	Acquisition Date (Revaluation Date)	Approximate Land/Built-up Area (sq. ft)	Net Book Value (RM)
Wisma Gadang No. 52 Jalan Tago 2 Off Jalan Persiaran Utama Sri Damansara 52200 Kuala Lumpur	6 1/2 storey office block for own use	Freehold	(June 1997)	42,619 (45,043)	9,013,147
Plot No. 86 CD Emville Golf Resort Mukim Sentul District of Seremban Negeri Sembilan	Vacant bungalow lot for investment	Leasehold ending 13/12/2082	(June 1997)	8,000	130,560
Bandar Tasik Semenyih PT 8298 HS(M) 4984	Vacant bungalow lot for sale	Leasehold ending 5/11/2094	23/12/1999	11,125	240,699
Lot 183 to 186 Mukim of Rawang District of Gombak State of Selangor	Industrial land for sale	Freehold	2/8/2001	198,712	3,974,240
Geran No. 49848 Lot No. 1132 Daerah Johor Baru Bandar Johor Baru Negeri Johor Darul Taksim	Mixed industrial and commercial development	Freehold	31/7/2003	1,166,808	26,319,098
Plot No. 208 held under HS(D) 252132 PT No. 1027; Plot No. 209 held under HS(D) 252119 PT No. 1014; Plot No. 211 held under HS(D) 252212 PT No. 1016; Plot No. 212 held under HS(D) 2521122 PT No. 1017; Plot No. 201 held under HS(D) 252138 PT No. 1033; Plot No. 202 held under HS(D) 252126 PT No. 1033; Plot No. 203 held under HS(D) 252127 PT No. 1033; Pekan Baru Sungai Besi District of Petaling Selangor	Vacant bungalow lot for sale/ development	Leasehold ending 1/12/2017	31/1/2010	74,804	11,220,600

Title/Location	Description/ Existing use	Tenure	Acquisition Date (Revaluation Date)	Approximate Land/Built-up Area (sq. ft)	Net Book Value (RM)
Salak South Land Mukim Kuala Lumpur HS(D) 42144 Lot 49280	Land for development	Leasehold ending 17/6/2085	27/1/2010	531,432	33,985,365
Plot No. 607 No. 3 Jalan Anggerik 1A/9 Sek. BS7, Bukit Sentosa 2 Rawang	Properties for sale	Freehold	15/7/2003	1,079	99,800
Plot No. 8246 No. 13, Jalan Ros 2A/3, Sek. BS5, Bukit Sentosa, Rawang	Properties for sale	Freehold	13/3/2004	130.04 meter square	123,000
Gasing Indah Land Mukim Kuala Lumpur HS(D) 171475 PT No.399	Land for development	Freehold	17/6/2010	46,165	3,693,200
Parcel No. B-D-37 Kenny Heights Estate (Lot No. 67802) Geran Title 72851 Mukim of Batu District of Kuala Lumpur	Town villa	Freehold	29/12/2011	5,226	5,125,400
Pajakan Mukim No. Hakmilik 2288 Lot 20470 Mukim Serendah Daerah Hulu Selangor Negeri Selangor	Residential land for sale	Leasehold ending 31/8/2105	1/10/2012	400,300	4,563,532
Pokok Sena Lot 165, Pokok Sena Kedah	Land for development	Freehold	31/10/2011	8,786,923	14,489,437

ANALYSIS OF SHAREHOLDINGS & WARRANTHOLDINGS

I. ANALYSIS OF SHAREHOLDINGS as at 3 October 2013

Share Capital

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

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 99	50	1.11	2,132	0.00
100 - 1,000	824	18.24	780,913	0.40
1,001 - 10,000	2,408	53.30	13,186,067	6.70
10,001 - 100,000	1,072	23.73	34,147,218	17.36
100,001 - 9,834,559	162	3.58	86,244,061	43.85
9,834,560* and above	2	0.04	62,330,827	31.69
Total	**4,518**	**100.00**	**196,691,218**	**100.00**

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

REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of Shares Held			
Name	Direct Interest	%	Deemed Interest	%
1. Sumber Raswira Sdn Bhd	29,717,161	15.11	-	-
2. Tan Sri Dato' Kok Onn	8,766,666	4.46	62,330,827*(a)*	31.69
3. Meloria Sdn Bhd	32,613,666	16.58	-	-
4. Puan Sri Datin Chan Ngan Thai	-	-	32,613,666*(b)*	16.58

Notes

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

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

THIRTY LARGEST SHAREHOLDERS

		No. of Shares	%
1.	RHB Nominees (Tempatan) Sdn Berhad *Pledged securities account for Meloria Sdn Bhd*	32,613,666	16.58
2.	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged securities account for Sumber Raswira Sdn Bhd*	29,717,161	15.11
3.	Citigroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Kok Onn*	8,766,666	4.46
4.	Mercsec Nominees (Tempatan) Sdn Bhd *Pledged securities account for Siow Wong Yen @ Siow Kwang Hwa*	5,101,000	2.59
5.	Chia Ting Poh @ Cheah Ting Poh	5,000,000	2.54
6.	TA Nominees (Tempatan) Sdn Bhd *Pledged securities account for Kok Chew Leng*	4,500,000	2.29
7.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lim Gim Leong*	3,015,000	1.53
8.	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged securities account for Chan Weng Kong*	2,934,500	1.49
9.	HLIB Nominees (Asing) Sdn Bhd *Exempt An for UOB Kay Hian Pte Ltd*	2,500,000	1.27
10.	Maybank Nominees (Tempatan) Sdn Bhd *Yeoh Ah Tu*	2,067,000	1.05
11.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Law Wan Ni*	1,913,000	0.97
12.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged securities account for Leong Kam Chee*	1,750,000	0.89
13.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Chung Mui Nyok*	1,740,000	0.88
14.	EB Nominees (Tempatan) Sendirian Berhad *Pledged securities account for Ting Keaw @ Law Lee See*	1,438,000	0.73
15.	Law Wan Cheen	1,296,600	0.66
16.	Ng Siaw Hui	1,165,000	0.59

ANALYSIS OF SHAREHOLDINGS & WARRANTHOLDINGS
(cont'd)

THIRTY LARGEST SHAREHOLDERS (cont'd)

	No. of Shares	%
17. HLB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Chung Mui Nyok*	1,161,600	0.59
18. Citigroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lee Yoke Koon*	1,100,000	0.56
19. Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Teh Win Kee*	1,089,500	0.55
20. Wu Chung Ta	1,072,000	0.54
21. Phang Ah Kow @ Phang Fut Yow	1,010,000	0.51
22. HDM Nominees (Tempatan) Sdn Bhd *Pledged securities account for Law Wan Ni*	1,000,000	0.51
23. Maybank Nominees (Tempatan) Sdn Bhd *Etiqa Insurance Berhad (Growth Fund)*	1,000,000	0.51
24. Su Ming Yaw	1,000,000	0.51
25. Lee Chee Beng	995,900	0.51
26. Yeoh Ah Tu	958,000	0.49
27. Amsec Nominees (Tempatan) Sdn Bhd *AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund*	940,500	0.48
28. Boey Tak Kong	900,000	0.46
29. Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ng Siew Chee*	870,000	0.44
30. Mercsec Nominees (Tempatan) Sdn Bhd *Pledged securities account for Wong Fuei Boon*	750,000	0.38

II. ANALYSIS OF WARRANTHOLDINGS as at 3 October 2013

Warrants 2010/2015 ("Warrants")

Total Number of Warrants Issued	:	19,668,739
Total Number of Warrants Outstanding	:	19,668,739
Maturity Date	:	29 September 2015
Exercise Price	:	RM1.00 per Warrant
Exercise Rights	:	Each Warrant entitles the registered holder to subscribe for one (1) new ordinary share of RM1.00 each in the Company
Voting Rights	:	Nil

DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings	Number of Warrantholders	%	Number of Warrants	%
Less than 99	74	7.65	3,216	0.02
100 - 1,000	365	37.74	211,083	1.07
1,001 - 10,000	327	33.82	1,335,044	6.79
10,001 - 100,000	172	17.79	5,490,618	27.92
100,001 - 983,435	28	2.90	9,652,412	49.07
983,436* and above	1	0.10	2,976,366	15.13
Total	**1,202**	**100.00**	**19,668,739**	**100.00**

* denotes 5% of the issued warrants

THIRTY LARGEST WARRANTHOLDERS

		Number of Warrants	%
1.	RHB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Meloria Sdn Bhd*	2,976,366	15.13
2.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd *Exempt An for UOB Kay Hian Pte Ltd*	774,200	3.94
3.	JF Apex Nominees (Tempatan) SdnBhd *Pledged securities account for Sumber Raswira Sdn Bhd*	697,865	3.55
4.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Chung Mui Nyok*	670,600	3.41
5.	Ting Ata @ Ting Teong Cheow	650,000	3.30
6.	Citigroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Kok Onn*	611,666	3.11
7.	Wong Yit Yoong	604,500	3.07
8.	Freddy Lim Yong Cheng	552,866	2.81

ANALYSIS OF SHAREHOLDINGS & WARRANTHOLDINGS
(cont'd)

THIRTY LARGEST WARRANTHOLDERS (cont'd)

		Number of Warrants	%
9.	Mak Ngia Ngia @ Mak Yoke Lum	550,800	2.80
10.	Ng Ah Meng	484,000	2.46
11.	ISC Toptanks Sdn Bhd	400,000	2.03
12.	Ng Cheek What	367,800	1.87
13.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Wong Ah Yong*	340,000	1.73
14.	Ng Ah Meng	279,800	1.42
15.	Maybank Nominees (Tempatan) Sdn Bhd *Yeoh Ah Tu*	266,750	1.36
16.	Chew Ko Keng	250,000	1.27
17.	Lee Chee Beng	250,000	1.27
18.	Lim Jia Kheng	204,100	1.04
19.	Khoo Swee Chye @ Khoo Swee Hock	203,500	1.03
20.	Phang Ah Kow @ Phang Fut Yow	190,000	0.96
21.	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged securities account for Heng Poh Suan*	186,316	0.95
22.	Lo Kee Heng	170,700	0.87
23.	Lo Kee Heng	170,000	0.86
24.	Teng Pok Sang @ Teng Fook Sang	169,900	0.86
25.	Siow Yet Kiew	151,000	0.77
26.	Qua Soon Tack	130,500	0.66
27.	Phang Chern Fei	110,800	0.56
28.	Wong Ah Yong	110,033	0.56
29.	Kang Kwei Nyuk	104,716	0.53
30.	Ambank (M) Berhad *Pledged securities account for Wong Ah Yong*	100,000	0.51

III. DIRECTORS' SHAREHOLDINGS & WARRANTHOLDINGS as at 3 October 2013

THE COMPANY

	Number of Ordinary Shares of RM1.00 each			
	Direct Interest	%	Deemed interest	%
Tan Sri Dato' Kok Onn	8,766,666	4.46	62,330,827*(a)*	31.69
Boey Tak Kong	900,000	0.45	-	-

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

Note:

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

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

Save as disclosed, none of the other Directors of the Company had any interest in the shares and warrants of the Company or its related corporations as at 3 October 2013.

NOTICE OF 20TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twentieth (20th) Annual General Meeting (AGM) of Gadang Holdings Berhad (the Company) will be held at Ballroom 3, First Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 19th November 2013 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the year ended 31 May 2013 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 3 sen per share less 25% income tax in respect of the financial year ended 31 May 2013. *(Ordinary Resolution 2)*

3. To approve the payment of Directors' fees of RM150,000.00 in respect of the financial year ended 31 May 2013 (FY2012: RM150,000). *(Ordinary Resolution 3)*

4. To re-elect Encik Adam Bin Bachek, who is retiring in accordance with Article 108 of the Company's Articles of Association. *(Ordinary Resolution 4)*

5. To re-elect Tan Sri Dato' Kok Onn, who is retiring in accordance with Article 108 of the Company's Articles of Association. *(Ordinary Resolution 5)*

6. To re-elect Ms Kok Pei Ling, who is retiring in accordance with Article 113 of the Company's Articles of Association. *(Ordinary Resolution 6)*

7. To re-appoint Messrs PKF as Auditors of the Company and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 7)*

AS SPECIAL BUSINESS

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

8. **Authority to Directors to issue shares** *(Ordinary Resolution 8)*

   "**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."

9. **Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature and the provision of financial assistance** *(Ordinary Resolution 9)*

"**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 28 October 2013 ("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."

10. **Continuing In Office As Independent Director – Datuk Wan Lokman Bin Dato' Wan Ibrahim** *(Ordinary Resolution 10)*

"**THAT** approval be and is hereby given to Datuk Wan Lokman Bin Dato' Wan Ibrahim who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."

11. **Continuing In Office As Independent Director – Encik Adam Bin Bachek** *(Ordinary Resolution 11)*

"**THAT** subject to the passing of Ordinary Resolution 4, approval be and is hereby given to Encik Adam Bin Bachek who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."

12. **Proposed Amendments to the Articles of Association of the Company** *(Special Resolution)*

    "**THAT** the proposed amendments to the Articles of Association of the Company as set out under Appendix I of the Circular to Shareholders of the Company dated 28 October 2013 be and are hereby approved and that the Directors and Secretary be and are hereby authorized to carry out all the necessary steps to give effect to the amendments."

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the first and final Dividend of 3 sen per share less 25% income tax, for the financial year ended 31 May 2013, if approved by the shareholders at the 20th Annual General Meeting, will be paid on 24 December 2013 to Depositors whose names appear in the Record of Depositors at the close of business on 30 November 2013.

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

a. shares transferred into the Depositor's Securities Account before 4.00 p.m. on 30 November 2013 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
28 October 2013

NOTES:

1. Only depositors whose names appear in the Record of Depositors as at 12 November 2013 be regarded as members and entitled to attend, speak and vote at this meeting.

2. A member of the Company entitled to attend, speak and vote at this meeting, is entitled to appoint a proxy to attend, speak 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.

3. 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.

4. Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

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

EXPLANATORY NOTES

(i) Ordinary Resolution 8 - Authority to Directors to issue shares

The proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company, pursuant to Section 132D of the Companies Act, 1965, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued does not exceed 10% of the issued and paid-up share capital of the Company for the time being. This authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the last Annual General Meeting held on 21 November 2012 and which will lapse at the conclusion of the 20th Annual General Meeting.

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

(ii) Ordinary Resolution 9 - Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature and for the provision of financial assistance

The proposed Ordinary Resolution 9 is in relation to the approval of Shareholders' Mandate for Recurrent Related Party Transactions and 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 28 October 2013, which is despatched together with this Annual Report 2013.

(iii) Ordinary Resolutions 10 and 11 - Continuing In Office As Independent Non-Executive Directors

In line with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, the Board of Directors has assessed the independence of Datuk Wan Lokman Bin Dato' Wan Ibrahim and Encik Adam Bin Bachek, who have served as Independent Non-Executive Directors for a cumulative term of more than nine years, and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

(a) Both of them have met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

(b) Datuk Wan Lokman Bin Dato' Wan Ibrahim's vast experience in the banking sector and in-depth expertise in the plantation segment will greatly contribute in know-how to support Gadang's upstream and downstream palm oil activities, a future core business of the Gadang Group.

(c) Encik Adam Bin Bachek's legal background in contract negotiations and technical knowledge in contract management shall be valuable to the Gadang Group, as more complex and higher value projects are to be awarded in the immediate future.

(d) Both of them, having been with the Company for more than nine years, are familiar with the Group's business goals and have devoted sufficient time to discharge their statutory duties and fiduciary responsibilities.

(e) Both have exercised due care during their tenure as Independent Non-Executive Directors of the Company and have carried out their professional duties in the interest of the Company and shareholders.

The proposed Ordinary Resolution 10, if passed, will authorize Datuk Wan Lokman Bin Dato' Wan Ibrahim to continue in office as an Independent Non-Executive Director of the Company.

The proposed Ordinary Resolution 11, if passed, will authorize Encik Adam Bin Bachek to continue in office as an Independent Non-Executive Director of the Company.

(iv) Special Resolution – Proposed Amendments to the Articles of Association of the Company

The proposed Special Resolution, if passed, will enable the Company to comply with the amended Bursa Securities Main Market Listing Requirements since it took effect from 3 January 2012.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

No individual is seeking new election as a Director at the 20th Annual General Meeting of the Company.

Further details of the Directors who are seeking for re-election are set out in the Directors' Profile on pages 26 and 27.

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FORM OF PROXY

NUMBER OF SHARES HELD	
CDS ACCOUNT NO.	

*I/We .... *NRIC No./Co. No.: ....

(FULL NAME IN BLOCK LETTERS)

of ....

(FULL ADDRESS AND TELEPHONE NO.)

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

Proxy 1 .... NRIC No.: ....

(FULL NAME IN BLOCK LETTERS)

Proxy 2 .... NRIC No.: ....

(FULL NAME IN BLOCK LETTERS)

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 20th Annual General Meeting of the Company to be held at Ballroom 3, First Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 19 November 2013 at 10.00 a.m., and at any adjournment thereof.

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

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements and Reports		
2.	To approve the payment of a first and final dividend		
3.	To approve the payment of Directors' fees		
4.	To re-elect Encik Adam Bin Bachek as Director		
5.	To re-elect Tan Sri Dato' Kok Onn as Director		
6.	To re-elect Ms Kok Pei Ling as Director		
7.	To appoint Messrs PKF as Auditors		
8.	To authorize the Directors to issue shares		
9.	To renew the shareholders' mandate for Recurrent Related Party Transactions and provision of financial assistance		
10.	To continue in office for Datuk Wan Lokman Bin Dato' Wan Ibrahim as Independent Director		
11.	To continue in office for Encik Adam Bin Bachek as Independent Director		
SPECIAL RESOLUTION			
Proposed Amendments to the Articles of Association of the Company			

** Strike out whichever not applicable*

Dated this .... day of ...., 2013

For appointment of 2 proxies, no. of shares and percentage of shareholdings to be represented by the proxies:-

	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

....

Signature/Common Seal of Member

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 12 November 2013 be regarded as members and entitled to attend, speak and vote at this meeting.
2. A member of the Company entitled to attend, speak and vote at this meeting, is entitled to appoint a proxy to attend, speak 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.
3. 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.
4. Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing the proxy must be deposited at the Registered Office of the Company at Wisma Gadang, No 52, Jalan Tago 2, Off Jalan Persiaran Utama, Sri Damansara, 52200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

Fold this flap for sealing

Then fold here

AFFIX STAMP

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

1st fold here

GADANG HOLDINGS BERHAD (278114-K)
Wisma Gadang, No. 52 Jalan Tago 2
Off Jalan Persiaran Utama
Sri Damansara
52200 Kuala Lumpur
Tel : 603-6275 6888
Fax : 603-6275 2136
Email : corporate@gadang.com.my

www.gadang.com.my