GADANG

GADANG HOLDINGS BERHAD
(278114-K)

DIVERSITY IN STRENGTH
Staying Ahead with New Focus

annual report 2010

FINANCIAL CALENDAR

For financial year ended 31 May 2010

ANNOUNCEMENT OF RESULTS

First Financial Quarter ended 31 August 2009	29 October 2009
Second Financial Quarter ended 30 November 2009	28 January 2010
Third Financial Quarter ended 28 February 2010	29 April 2010
Fourth Financial Quarter ended 31 May 2010	29 July 2010

PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS

Notice of Annual General Meeting	1 November 2010
ANNUAL GENERAL MEETING	23 November 2010

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CORPORATE PROFILE

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

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

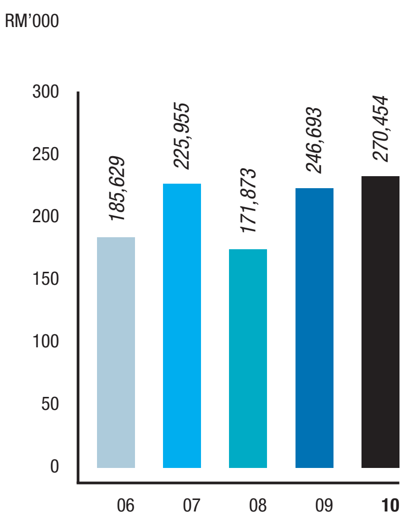
Gadang is an investment holding company while its subsidiaries' core businesses are in civil engineering and construction, property development, water concession, mechanical and electrical engineering services and general trading. As part of the Group's diversification exercise, Gadang had in April 2009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

Kemuning - Shah Alam Highway

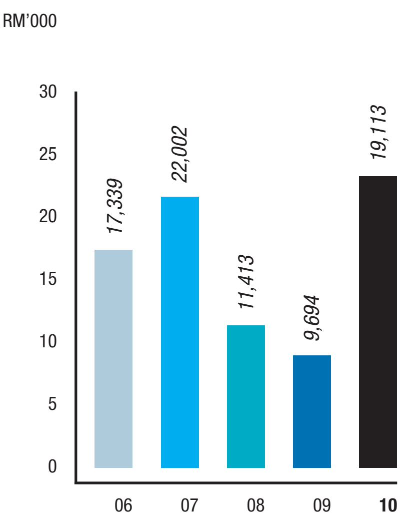
FINANCIAL HIGHLIGHTS

YEAR ENDED 31 MAY (RM'000)	2010	2009	2008	2007	2006
Turnover	270,454	246,693	171,873	225,955	185,629
Profit/(Loss) Before Taxation	19,113	9,694	11,413	22,002	17,339
Profit/(Loss) After Taxation	13,887	3,545	7,620	14,461	11,863
Profit/(Loss) Attributable to Shareholders	14,916	3,030	7,516	14,202	11,916
Shareholders' Funds	184,969	170,659	170,243	164,076	140,687
Total Tangible Assets	428,710	359,406	348,390	296,519	285,577
Net Earnings Per Share (RM)	0.1264	0.0257	0.0639	0.1299	0.1144
Net Assets Per Share (RM)	1.60	1.49	1.48	1.41	1. 33

TURNOVER



PROFIT BEFORE TAXATION



CORPORATE STRUCTURE

GADANG HOLDINGS BERHAD
(278114-K)

ENGINEERING AND CONSTRUCTION

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

WATER CONCESSION

- **100%** Regional Utilities Sdn Bhd
  - **100%** Asian Utilities Pte Ltd
    - **95%** PT. Taman Tirta Sidoarjo
    - **95%** PT. Bintang Hytien Jaya
    - **85%** 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%** Flora Masyhur Sdn Bhd
  - **100%** Elegance Sonata Sdn Bhd
  - **100%** Hillstrand Development Sdn Bhd
  - **100%** Detik Tiara Sdn Bhd
  - **100%** Skyline Symphony Sdn Bhd

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

ADAM BIN BACHEK
Independent Non-Executive Director

BOEY TAK KONG
Independent Non-Executive Director

SECRETARY

Tan Seok Chung, Sally
MAICSA 0829689

REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel. : 603 - 2264 3883
Fax. : 603 - 2282 1886

AUDITORS

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

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

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

PROFILE OF DIRECTORS

DATUK WAN LOKMAN BIN DATO' WAN IBRAHIM

Chairman and
Independent Non-Executive Director

Datuk Wan Lokman Bin Dato' Wan Ibrahim, a Malaysian, aged 64, was appointed as Director of Gadang Holdings Berhad ("Gadang" or "Company") on 19 May 1997 and Chairman on 1 July 2008. He is the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee.

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

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

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

TAN SRI DATO' KOK ONN

Managing Director cum
Chief Executive Officer

Tan Sri Dato' Kok Onn, a Malaysian, aged 59, joined the Board on 10 March 1997 as the Joint Managing Director of Gadang and was subsequently appointed as the Managing Director cum Chief Executive Officer on 2 September 1997. He is the Chairman of the Risk Management Committee and a member of the Remuneration Committee.

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

Tan Sri Dato' Kok Onn's exposure in the construction industry began in 1972 and has been involved in the industry for more than 38 years. He has gained extensive knowledge and experience in most aspects of civil and structural engineering schemes with various projects in Malaysia, China, Middle East and South Africa.

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

ADAM BIN BACHEK

Senior Independent Non-Executive Director

Encik Adam Bin Bachek, a Malaysian, aged 61, was appointed as Director of Gadang on 19 May 1997. He is the Chairman of the Audit Committee and Remuneration Committee. He is also a member of the Nomination Committee.

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

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

BOEY TAK KONG

Independent Non-Executive Director

Mr Boey Tak Kong, a Malaysian aged 56, joined the Board on 3 December 2007 as an Independent Non-Executive Director. He is a member of the Audit Committee and Nomination Committee.

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

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

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

Other Information on Directors

None of the Directors has:

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

CHAIRMAN'S STATEMENT

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

DEAR VALUED SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS, IT IS MY PLEASURE TO PRESENT TO YOU, THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS OF GADANG HOLDINGS BERHAD ("GADANG" OR THE COMPANY") AND ITS GROUP OF COMPANIES ("THE GROUP") FOR THE FINANCIAL YEAR ENDED 31ST MAY 2010.

OVERVIEW

The global recession with continuing uncertainties affected all economies and businesses worldwide had an adverse impact on the Malaysian economy in year 2009.

While we anticipated and were prepared for the difficult market conditions, we were surprised by the fast turnaround for the Malaysian economy.

The recovery of the global economy continued to gather pace in the first quarter 2010, with stronger growth performance across most regions, particularly the Asian economies. The recovery of the Malaysian economy is also firmly established, and has managed to register a strong growth of 10.1% in the first quarter of 2010, led by continued expansion in domestic demand and stronger external demand.

FINANCIAL REVIEW

Despite the challenging operating landscape for the financial year under review, the Group was able to record a credible improvement in its financial performance for the year under review. The Group posted a stronger profit after taxation of RM13.88 million, an increase of 292% from RM3.55 million previously and its revenue increased to RM270.45 million from RM246.69 million recorded in the previous financial year.

In the financial year under review, the Group's shareholders' funds enhanced by 8% to RM184.97 million from RM170.66 million in the previous financial year. The net assets per share further strengthen to RM1.60, up from the previous year of RM1.49.

CORPORATE DEVELOPMENTS

January 2010

On 27 January 2010, Natural Domain Sdn Bhd, an indirect wholly-owned subsidiary of Gadang, entered into a Sale and Purchase Agreement with GSS Properties Sdn Bhd

Water Treatment Plant, Indonesia

("the Vendor") to acquire a parcel of residential land located off Sungai Besi Highway in Sungai Besi, Kuala Lumpur for a purchase consideration of RM33,000,000.

April 2010

On 5 April 2010, Gadang acquired 1,590,000 ordinary shares of RM1.00 each, representing the remaining 30% of the equity interest in GLP Resources (M) Sdn Bhd ("GLPR") from the minority shareholder, Premierex Sdn Bhd for a nominal cash consideration of RM1.00 ("the Acquisition"), thereby resulting in GLPR becoming a 100% owned subsidiary of Gadang. Following the Acquisition, the principal activity of GLPR was changed from trading in protective and decorative coatings to general trading.

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

On 30 April 2010, Detik Tiara entered into a joint venture agreement with Abdul Hamid Bin Mohamed, Nik Hamdan Bin Nik Yusoff and Yusoff Bin Yaa'cob (collectively referred to as "the Landowners") for the proposed property development of landed properties in Sungei Penchala Daerah Kuala Lumpur.

Runways Earthwork for New LCC Terminal

Jentayu Residensi, Tampoi Johor Bahru

September 2010

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

On 21 September 2010, FMSB had entered into a Supplemental Agreement to the Share Sale Agreement dated 11 August 2009.

Pursuant to the Supplemental Agreement, the parties mutually agreed to modify, amend and/or vary the terms of the Share Sale Agreement dated 11 August 2009 to incorporate the following:

- The supplemental agreement to the joint venture agreement which was entered into between Ridwan Bin Wahi ("the Landowner"), the registered owner of all that freehold land held under HS(D) 2811 PT 165 Bandar Pokok Sena, Negeri Kedah Darul Aman measuring approximately 81.6454 hectares (approximately 201.746 acres) ("the said Land") and CASB on 11 June 2010, to accommodate the purchase of the said Land by CASB from the Landowner; and
- The sale and purchase agreement which was entered into between CASB and the Landowner on 11 June 2010 whereby the Landowner had agreed to sell and CASB had agreed to purchase the said Land on such terms and conditions as appearing therein.

CORPORATE EXERCISE COMPLETED

During the financial year, the Company announced the following corporate proposals:-

(i) Proposed Renounceable Two-Call Rights Issue of up to 78,677,194 new ordinary shares of RM1.00 each ("Shares") in Gadang ("Rights Shares") on the basis of two (2) Rights Shares for every three (3) existing shares in Gadang ("Gadang Shares") together with up to 19,669,299 Free Detachable Warrants ("Warrants") on the basis of one (1) Warrant for every four (4) Rights Shares held in Gadang at an issue price of RM1.00 per Rights Share, of which the first call of RM0.65 is payable in cash on application and the second call of RM0.35 is to be capitalized from Gadang's Shares Premium and Retained Profits Accounts ("Rights Issue");

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

(iii) Proposed Amendments to the Memorandum and Articles of Association of the Company; and

(iv) Proposed Exemption pursuant to Practice Note 2.9.1 ("PN2.9.1") of the Malaysian Code On Take-Overs and Mergers, 1998 ("Code") to Tan Sri Dato' Kok Onn ("TSDKO") and persons acting in concert with him ("PACs") from the obligation to extend a mandatory take-over offer ("MGO") for all the remaining Gadang Shares not already owned by TSDKO and PACs upon the completion of the Proposed Rights Issue ("Proposed Exemption")

The above corporate proposals were approved by the shareholders at an Extraordinary General Meeting held on 12 August 2010. The Company received 100% subscription rate over the total of 78,675,427 Rights Shares together with 19,668,739 Warrants available for subscription under the Rights Issue. The Rights Issue was completed on 4 October 2010 following the admission of the Warrants to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities"), and the listing of and quotation for the 78,675,427 Rights Shares and 19,668,739 Warrants on the Main Market of Bursa Malaysia Securities Berhad on 4 October 2010.

OUTLOOK AND PROSPECTS

The year 2010 would see all sectors of the economy regain strength. The New Economic Model recently launched by the Prime Minister will help to promote higher levels of economic investment in the country.

The construction sector was on the road to recovery with the implementation of the Government's first and second stimulus packages coupled with the expected roll out of the 10th Malaysian Plan ("10MP") in 2010 and the overall improvement in the global economy.

The Group will continue to invest in building new capacity and capability to grow our core businesses and to tender for higher value projects under the 10MP, which the Group has technical expertise or which are synergistic with our core operations.

Riding on the strong growth in the property sector, we expect the property division to continue to benefit from its proven track record in its ability to develop affordable properties. As such, we believe that the Group will be able to continue to generate healthy profits for the Group in the current financial year.

ACKNOWLEDGEMENT

On behalf of my fellow Board members, I would like to extend my heartfelt thanks to our loyal customers who have supported us. Our shareholders and investors, thank you for believing and supporting us. We also extend our gratitude for the invaluable assistance, trust and support from regulatory authorities, business associates, bankers, consultants, contractors and sub-contractors and mass media.

Gadang's financial achievement for the year and continued success of the Group would not have been possible without the dedication and commitment of the employees of the Group to whom I wish to express my heartfelt thanks.

Finally, my thanks to all my fellow Directors who will continue to strive with me as we embrace another year with optimism for sustained growth.

Datuk Wan Lokman Bin Dato' Wan Ibrahim
Chairman
15 October 2010

MANAGING DIRECTOR CUM CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

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

DEAR SHAREHOLDERS,

THE GROUP RECOGNIZES THAT LONG-TERM BUSINESS SUCCESS DEPENDS ON ITS ABILITY TO BALANCE ECONOMIC RETURNS WITH SUSTAINABLE CONTRIBUTIONS TO SOCIETY. ACCORDINGLY, THE GROUP INITIATED A REORGANIZATION EXERCISE DURING THE YEAR TO REALIGN THE CORPORATE STRUCTURE TO REFLECT OUR NEW ASPIRATIONS TO REBRAND THE GROUP. THE STRONGER FINANCIAL PERFORMANCE ACHIEVED IS THE RESULT OF THE REORGANIZATION PLAN ATTRIBUTED BY THE CORE BUSINESSES MAINLY DUE TO THE IMPROVED GROSS PROFIT MARGIN AND COST MANAGEMENT INITIATIVES IMPLEMENTED.

ENGINEERING AND CONSTRUCTION

The Engineering and Construction Division continued to be the main thrust of the Group's business activities. For the financial year under review, the Division registered a higher revenue of RM201.26 million and profit after tax of RM10.01 million as compared with RM177.56 million and loss after tax of RM4.14 million in the previous financial year. The improved performance of this Division was mainly due to the higher gross profit margin recorded by the Division.

For the year under review, the Division successfully completed several contracts with value of approximately RM325.77 million, which among others were the construction of Package 1 of the Kemuning-Shah Alam Highway in Shah Alam, Selangor Darul Ehsan; M Avenue, Segambut, Kuala Lumpur which consists of 62 blocks of 3 & 4 storey retail and office suite; Taman Seri Bukit Segambut, Segambut, Kuala Lumpur – a joint-venture development comprising 54 units 3-storey super link houses and Taman Pinggiran Pelangi, Phase 2 in Rawang, Selangor.

Currently the Division's order book stands at more than RM500 million. Major contracts in progress include:

- the construction of the Rehabilitation Hospital Project in Cheras, Kuala Lumpur;
- the contract to construct the runways and taxiways for the new LCC Terminal and Associated Works at KL International Airport, Sepang, Selangor, valued at RM291.18 million; and
- the newly awarded works package on electrical power distribution for LCC Terminal worth RM45.83 million to Datapuri Sdn Bhd, the Mechanical & Electrical ("M&E") Division together with its joint venture partner.

PROPERTY DEVELOPMENT

The Property Division posted a revenue of RM55.61 million for the year under review as compared to RM54.82 million recorded in the preceding year. The revenue was mainly contributed from M Avenue and Taman Seri Bukit Segambut projects in Segambut, Kuala Lumpur and Taman Pinggiran Pelangi project in Rawang, Selangor.

Accordingly, the profit after tax had also increased to RM7.09 million for the year under review as compared to RM6.37 million recorded in the preceding year.

Rehabilitation Hospital in Cheras, Kuala Lumpur

MANAGING DIRECTOR CUM CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

The recent completed and on-going projects are:

- **M Avenue, Segambut, Kuala Lumpur** – A commercial development comprising 62 units of 3 & 4 storey retail and office suite located within the vicinity of Mont Kiara and Sri Hartamas with a gross development value ("GDV") of RM56.21 million. The project is completed and handed over vacant possession in May 2010. Sales of more than 97% have been achieved.

- **Taman Seri Bukit Segambut, Segambut, Kuala Lumpur** – A residential development comprising 54 units of 3-storey super link homes with a GDV of RM40 million. These exclusive and spacious homes are located within the vicinity of Kepong, Desa Park City, Sunway SPK and Mont Kiara. The project is completed and handed over vacant possession in December 2009. All the units were sold.

- **Taman Pinggiran Pelangi, Rawang, Selangor** – A residential development with a GDV of RM64 million comprising a total of 423 units landed residential houses consisting of 363 units of single-storey terrace houses; 38 units of 1½ storey semi-detached houses and 22 units of 1 storey semi-detached houses.
    - Phase 1 comprising 84 units of single-storey terrace houses has been fully sold.
    - Phase 2 comprising 82 units of single-storey terrace houses, which had handed over vacant possession in January 2010, has achieved sales of 94%.
    - Phase 3 comprising 97 units of single-storey terrace houses, 8 and 22 units of single-storey and 1½ storey semi-detached houses respectively. The single-storey terrace houses were fully sold whereas the semi-detached houses have achieved 77% sales. The project is 82% completed.
    - Phase 4 comprising 100 units of single-storey terrace houses, 14 units and 16 units of single-storey and 1½ storey semi-detached houses respectively. The single-storey terrace houses and semi-detached houses have recorded sales of 91% and 40% respectively. The project is 46% completed.

The Division is also currently planning to launch several new developments in Johor, Kedah and Klang Valley with a GDV of approximately RM200 million in the coming financial year. The intended developments are as follows:-

- A freehold retail/ residential hybrid development project in the heart of Tampoi, Johor Bahru known as Jentayu Residensi which features a collection of high quality home units and a myriad of retail outlets, aimed to bring together food, fashion, shopping and home in one fine location. The project consists of 2 storeys of retail/shop office and 2 blocks of 17 storeys high service apartments with a total of 512 units. This project will have a GDV of approximately RM119 million;

- Phase 1 comprising 149 units of single storey terrace houses in Pokok Sena, Kedah; and

- Mixed development in Salak South, Sungai Besi, Kuala Lumpur.

GENERAL TRADING

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

GLPR acts as the Group Procurement Department in order to centralize the purchasing functions and to be a comprehensive support services provider to all the Group operating companies.

Its objective is to ensure that the required materials, supplies, equipments and services are procured at the most favourable and competitive terms, meeting specified quality and standards, technical requirements and timeliness of delivery.

Artist Impression Jentayu Residensi, Tampoi Johor Bahru

In view of the above, the Division has posted a lower revenue of RM79,021 with a loss before tax of RM616,353 for the financial year under review as compared to a turnover of RM2.93 million and a loss of RM541,390 in the previous financial year.

WATER CONCESSION

Having acquired five water supply concessions in the preceding years, the Water Concession Division is currently consolidating its operations to achieve synergy amongst its subsidiaries while at the same time improving the efficiency of its individual operating units.

A key objective of the Division is to enhance the income stream of steady return to the Group. In this regard, the Division will focus on improving the utilization of its water supply capacity.

The Division is also looking for opportunities to diversify its current Indonesian water supply focus to other regions such as Vietnam and China.

The Division had posted higher revenue of RM13.50 million for the year under review, an increase of 18.63% as compared to RM11.38 million recorded in the previous financial year and contributing 5% to the Group's revenue.

PLANTATION

The Plantation Division is now entering into its second year of new planting programme. The felling and planting works for the first 800 acres had been completed. The balance of the 4,381 acres will be developed in 3 phases. Felling and planting works for the first phase of 1,000 acres commenced in June 2010 and is scheduled for completion by end 2010. Development works for the balance of the land will commence in the 4th quarter 2010 and 2nd quarter 2011. Planting works for the whole area is expected to be completed by end 2011. Harvesting for the 800 acres is expected to commence in early 2013.

The Group is actively seeking to secure more land for its oil palm plantation development to build up a sizable plantation to be a core business of Gadang Group. It is envisaged that plantation activities will contribute a steady and fairly high rate of return to the Group as the oil palm industry is a very resilient industry.

Oil Palm Plantation in Ranau, Sabah

IN APPRECIATION

Gadang remains on course in delivering enhanced shareholders' value on a sustained basis. Our success is a team effort and it is our hope that we remain prudent, dedicated and committed to take the Group to greater heights of success. To everyone who has contributed to our success and in helping us to move ahead, I wish to extend my heartfelt thanks and appreciation.

As we move forward into another year, rest assured that we will continue to strive towards improving the Group's financial position, pushing for further growth and profitability and of course, enhancing shareholders' value.

Tan Sri Dato' Kok Onn
Managing Director cum Chief Executive Officer
15 October 2010

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 May 2010.

MEMBERSHIP AND MEETINGS

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

The Audit Committee comprises the following members:

Adam Bin Bachek
Chairman/Independent Non-Executive Director

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

Boey Tak Kong
Member/ Independent Non-Executive Director

The Audit Committee met five (5) times during the financial year ended 31 May 2010. The details of attendance of each member at Audit Committee meetings 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 Senior Management, Finance Manager, Internal Auditors and External Auditors were in attendance at the meetings where necessary. The Committee had also met with the External Auditors separately on two occasions without the presence of the Executive Directors and Senior Management.

SUMMARY OF ACTIVITIES

The following activities were carried out by the Audit Committee during the financial year ended 31 May 2010:-

1. **Financial Results**

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

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

2. **Internal Audit**

   a. Reviewed and approved the internal audit plan and internal audit charter.

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

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

3. **Risk Management**

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

4. **External Audit**

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

5. **Recurrent Related Party Transactions**

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

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

TRAINING

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

1. SC-Bursa Malaysia CG Week 2009: Malaysian Institute of Integrity Session on Towards Enhancing Corporate Integrity – From Roots to Fruits

2. SC-Bursa Malaysia CG Week 2009: The Institute of Internal Auditors Malaysia Session on Internal Auditing: Assurance and Value Creation

3. SC-Bursa Malaysia CG Week 2009: Forum by Public Listed Companies: CG Best Practices

4. Seminar on Leading Successful Business Transformation

5. Bursa Malaysia Evening Talks on Corporate Governance: CR Overview and Identifying CR Risks and Opportunity for Companies

6. Corporate Governance Guide: Towards Boardroom Excellence

7. Directors' Continuing Education Programme 2009:

   - Recent updates on Malaysian Securities Law & Capital Market Legislation
   - Corporate Social Responsibility & Socially Responsible Investment
   - Information Security Awareness
   - Malaysian Tax Updates & AFTA

8. FRS 139 Forum Financial Instruments: Recognition & Measurement

9. Board Excellence Forum

10. Audit Committee Breakfast Forum

11. Climate Change & The Accountancy Profession

12. CR Overview & Identifying CR Risks & Opportunity for Companies

13. Managing Business Risk in China – The Practical Review

14. FRS 139 Forum

15. Enhancing Protection for Directors & Officers in an Escalating Risk Environment

16. Corporate Responsibility Practices in the context of the marketplace

17. Audit Committee Institute Roundtable Discussion – Going Forward: Risk & Reform

18. Personal Investment Strategies – Be a Winner

TERMS OF REFERENCE

1. **Composition**

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

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

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

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

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

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

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

2. **Chairman**

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

3. **Secretary**

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

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

4. **Meetings**

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

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

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

5. **Authority**

The Audit Committee is authorised by the Board:-

- to investigate any activity within its terms of reference;
- have the resources which are required to perform its duties;
- have full and unrestricted access to any information pertaining to the Group;
- have direct communication channels with the internal and external auditors and with senior management of the Group;
- be able to obtain external legal or other independent professional advice as necessary;
- be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of executive Board members and employees, whenever deemed necessary.

6. **Duties**

The duties of the Committee shall include:-

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

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

c. To review the quarterly results and annual financial statements before submission to the Board, focusing on:

- any changes in accounting policies and practices;
- significant issues arising from the audit;
- going concern assumption;
- compliance with accounting standards and regulatory requirements;

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

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

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

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

- review internal audit programme

- ensure co-ordination of external audit with internal audit

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

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

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

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

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

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

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Board obtains sufficient assurance of the effectiveness of system of internal control in the Group, through a programme of regular reviews and appraisals conducted by the internal auditor, which reports directly to the Audit Committee. The Group's Internal Audit ("IA") function was outsourced to an independent professional firm, CGRM Infocomm Sdn Bhd. The costs incurred for maintaining the IA function for the year under review were approximately RM58,000 comprising mainly professional fees and disbursements. The IA is responsible to undertake independent, regular and systematic reviews of the systems of financial and operational controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively.

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

STATEMENT OF CORPORATE GOVERNANCE

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

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

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

A. BOARD OF DIRECTORS

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

Board Composition and Balance

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

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

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

Board Meetings

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

During the financial year ended 31 May 2010, seven (7) Board meetings were held and the attendance of Board members is as follows:-

Directors	No. of Meetings Attended	Percentage
Datuk Wan Lokman Bin Dato' Wan Ibrahim	7 out of 7	100%
Tan Sri Dato' Kok Onn	7 out of 7	100%
Mr Koay Teng Keong (resigned on 31 December 2009)	3 out of 4	75%
Encik Adam Bin Bachek	7 out of 7	100%
Mr Ling Hock Hing (retired on 19 November 2009)	4 out of 4	100%
Mr Chan Ah Kam @ Chan Ah Thoong (retired on 19 November 2009)	4 out of 4	100%
Mr Boey Tak Kong	6 out of 7	86%

Supply of Information

The Board members are supplied with required and timely information which allows them to discharge their responsibilities effectively and efficiently. Prior to the Board meeting, all Directors are provided with an agenda and a set of Board papers. The Board papers are dispatched to the Directors in advance of Board meetings to enable the Directors have sufficient time to understand issues to be deliberated at the Board meeting and expedite the decision making process.

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

The Directors have access to all information within the Company whether as full Board or in their individual capacity, in furtherance of their duties. The Directors also have direct access to the Senior Management and the services of the Company Secretary and where necessary, in the furtherance of their duties, take independent professional advice at the Group's expense.

Appointments to the Board

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

Re-election of Directors

All Directors including Managing and Executive Directors shall retire from office once in every three (3) years but shall be eligible for re-election. In accordance with the Articles of Association of the Company, one-third (1/3) of the Directors shall retire from office at each annual general meeting ("AGM") and may offer themselves for re-election. The Directors to retire in each year shall be those who have been longest in office since their last election or appointment. To assist shareholders in their decision, sufficient information on each Director standing for re-election is appended to the Notice of the AGM.

Directors' Training

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

The training programmes and seminars attended by the Directors during the financial year under review are, inter-alia, on areas relating to corporate governance and financial management. The details of the training programmes attended by the Directors during the financial year ended 31 May 2010 are as follows:-

1. **Datuk Wan Lokman Bin Dato' Wan Ibrahim**	
• Seminar on Leading Successful Business Transformation	28 July 2009
2. **Tan Sri Dato' Kok Onn**	
• Seminar on Leading Successful Business Transformation	28 July 2009
3. **Adam Bin Bachek**	
• SC-Bursa Malaysia CG Week 2009: Malaysian Institute of Integrity Session on Towards Enhancing Corporate Integrity – From Roots to Fruits	10 June 2009
• SC-Bursa Malaysia CG Week 2009: The Institute of Internal Auditors Malaysia Session on Internal Auditing: Assurance and Value Creation	11 June 2009
• SC-Bursa Malaysia CG Week 2009: Forum by Public Listed Companies: CG Best Practices	11 June 2009
• Seminar on Leading Successful Business Transformation	28 July 2009
• Bursa Malaysia Evening Talks on Corporate Governance: CR Overview and Identifying CR Risks and Opportunity for Companies	9 Nov 2009
4. **Boey Tak Kong**	
• Corporate Governance Guide: Towards Boardroom Excellence	17 Aug 2009
• Directors' Continuing Education Programme 2009:	30 Sept -
- Recent updates on Malaysian Securities Law & Capital Market Legislation	2 Oct 2009
- Corporate Social Responsibility & Socially Responsible Investment	
- Information Security Awareness	
- Malaysian Tax Updates & AFTA	
• FRS 139 Forum Financial Instruments: Recognition & Measurement	5 Oct 2009
• Board Excellence Forum	6 Oct 2009
• Audit Committee Breakfast Forum	21 Oct 2009
• Climate Change & The Accountancy Profession	21 Oct 2009
• CR Overview & Identifying CR Risks & Opportunity for Companies	9 Nov 2009
• Managing Business Risk in China – The Practical Review	26 Nov 2009
• FRS 139 Forum	6 Jan 2010
• Enhancing Protection for Directors & Officers in an Escalating Risk Environment	26 Jan 2010
• Corporate Responsibility Practices in the context of the marketplace	29 Jan 2010
• Audit Committee Institute Roundtable Discussion – Going Forward: Risk & Reform	9 March 2010
• Personal Investment Strategies – Be a Winner	11 May 2010

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

Board Committees

The Board of Directors has established various Board Committees to assist and complement the Board in the execution of its responsibilities. Each Board Committee operates within its terms of reference, which clearly define its functions and authority. The Board Committees of the Company are as follows:-

a) **Audit Committee**

The Audit Committee Report is set out on pages 16 to 19 of the Annual Report.

b) **Nomination Committee**

The Nomination Committee consists of the following members:-

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

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

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

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

c) **Remuneration Committee**

The Remuneration Committee consists of the following members:-

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

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

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

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

B. DIRECTORS' REMUNERATION

Level and Make-up of Remuneration

The policy practiced on Directors' remuneration by the Remuneration Committee is to provide the remuneration packages necessary to attract, retain and motivate Directors of the calibre required to manage the business of the Group. The component parts of their remuneration are structured so as to link rewards to corporate and individual performance, in the case of the executive directors. In the case of non-executive directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual non-executive director concerned. Non-executive Directors do not receive any performance related remuneration.

Details Directors' Remuneration

The aggregate Directors' Remuneration paid or payable to all Directors of the Company categorized into appropriate components for the financial year ended 31 May 2010 are as follows:-

Total Remuneration	Executive Directors* RM	Non-Executive Directors RM	Total RM
Salary and other emoluments	952,720	–	952,720
Benefits-in-kind	23,783	–	23,783
Fees	-	126,000	126,000
Total	**976,503**	**126,000**	**1,102,503**

* Include directors who have retired/resigned.

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

Range of Remuneration	No. of Executive Director*	No. of Non-Executive Director	Total
Below RM50,000	–	3	3
RM100,001 to RM150,000	2	–	2
RM200,001 to RM250,000	1	–	1
RM450,001 to RM500,000	1	–	1
Total	**4**	**3**	**7**

* Include directors who have retired/resigned.

C. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

Investor Relations and Shareholders Communication

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

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

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

Annual General Meeting

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

At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Additionally, a press conference is normally held immediately after the AGM where the Chairman advises the press of the resolutions passed, and answers questions on the Group's activities and plans. The Chairman, Managing Director cum Chief Executive Officer and the Divisional Heads are also present at the press conference.

D. ACCOUNTABILITY AND AUDIT

Financing Reporting

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

Internal Controls

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

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

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

Relationship with External Auditors

The Board maintains a formal and transparent relationship with the external auditors in seeking professional advice and ensuring compliance with the relevant accounting standards. The role of the Audit Committee in relation to the external auditors is set out on pages 16 to 19 of the Annual Report.

STATEMENT ON INTERNAL CONTROL

Board Responsibility

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

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

Risk Management

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

Internal Audit

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

Other Key Elements of Internal Control

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

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

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

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

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

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

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

- The Group Management Committee (formerly known as Executive Committee) meets bi-monthly to review and resolve on key operational, corporate, financial, legal and regulatory matters.

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

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

Conclusion

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

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

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

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

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

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

WORKPLACE

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

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

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

The Gadang Sports Club was established by the Company with the aim to provide sports and leisure activities for its members. The Sports Club actively organizes sports and leisure activities for its members throughout the year. During the year, the Sports Club organised sports activities like badminton and yoga to promote healthy lifestyle among its members. The Sports Club also organized a family day at Bukit Cahaya Sri Alam Agricultural Park, Shah Alam for its members and their families. Encouraging participation in these activities underline the enthusiasm and a sense of belonging and unity among the staff.

COMMUNITY

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

During the year, the Group made contributions to:

- CIMB-The Star Padang Relief Fund – Charity donations towards the Padang earthquake relief fund.
- Tabung Hari Maritim Sedunia.
- Tabung Amal Kebajikan Masyarakat Penyayang Malaysia – donations towards the caring of society program such as the less fortunate children and old folks home.
- Kesatuan Pegawai Kebajikan Masyarakat Malaysia – donations towards orphanages.

Besides the above, the Group and the management staff also organized social visits and gave donations towards the children with special needs association. The Group also participated sponsors and contributions to healthcare, sports and education development funds.

MARKETPLACE

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

ENVIRONMENT

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

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

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

In preparing the financial statements, the Directors have:

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

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

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

ADDITIONAL COMPLIANCE INFORMATION

- **Share Buybacks**

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

- **Options, Warrants or Convertible Securities**

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

- **Imposition of Sanctions/Penalties**

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

- **Profit Guarantees**

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

- **Revaluation of Landed Properties**

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

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

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

- **Material Contracts**

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

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

  At the last Annual General Meeting held on 19 November 2009, 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.

- **Recurrent Related Party Transactions of a Revenue or Trading Nature (contd.)**

In accordance with Paragraph 10.09(2)(b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended 31 May 2010 pursuant to the said shareholders' mandate are as follows:-

Name of Related Party	Relationship	Nature of Transactions	The Company	Aggregate Value RM'000
Kok Khim Boon	Kok Khim Boon is a brother of Tan Sri Dato' Kok Onn ("TSDKO") who is the Managing Director cum Chief Executive Officer and major shareholder of Gadang	Provision of sub-contract works	Gadang Group	3,298
TFK Enterprise	TFK Enterprise is a sole-proprietorship owned by Madam Lee Bee Lan @ Ng Bee Len, the spouse of Mr Kok Thiam Fook who is the cousin of TSDKO.	Provision of sub-contract works	Gadang Group	169
Magnibiz Sdn Bhd	Magnibiz Sdn Bhd is 50% owned by Mr Chan Kim Fatt, the brother of Puan Sri Datin Chan Ngan Thai who is a major shareholder of Gadang and the brother-in-law of TSDKO	Provision of sub-contract works	Gadang Group	170
Datapuri Sdn Bhd ("DPSB")	DPSB is a 51% owned subsidiary of Gadang and 49% owned by Exclusive Acres Sdn Bhd ("EASB"). Liew Swee Kong and Chan Kim Lian who are directors and shareholders of EASB are the nephew and sister-in-law of TSDKO.	• Office Rental	Gadang Properties Sdn Bhd	88
		• Provision of mechanical & engineering subcontract works by DPSB	Gadang Group	11,473
		• Provision of management services by Gadang	Gadang	143
		• Financial Assistance	Gadang Group	164

FINANCIAL STATEMENTS

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2010.

PRINCIPAL ACTIVITIES

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

The principal activities of its subsidiaries are described in Note 19 to the financial statements.

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

(i) GLP Resources (M) Sdn Bhd has changed its principal activities from trading in protective and decorative coatings to general trading; and

(ii) Desiran Impian Sdn Bhd has changed its principal activities from investment holding to plantation.

RESULTS

	Group RM	Company RM
Profit for the year	13,887,494	11,233,349
Equity holders of the Company	14,915,669	11,233,349
Minority interests	(1,028,175)	–
	13,887,494	11,233,349

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

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

DIVIDENDS

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

DIRECTORS' REPORT (CONT'D)

DIRECTORS

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

Datuk Wan Lokman bin Dato' Wan Ibrahim
Tan Sri Dato' Kok Onn
Koay Teng Keong (resigned on 31.12.2009)
Adam bin Bachek
Ling Hock Hing (retired on 19.11.2009)
Chan Ah Kam @ Chan Ah Thoong (retired on 19.11.2009)
Boey Tak Kong

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 36 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1 Each			
	1.6.2009	**Acquired**	**Sold**	**31.5.2010**
Gadang Holdings Berhad				
Direct Interest				
Tan Sri Dato' Kok Onn	3 ,670,000	–	–	3 ,670,000
Boey Tak Kong	201,000	–	–	201,000
Indirect Interest				
Tan Sri Dato' Kok Onn (1)	34,005,100	900,000	–	34,905,100

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONTD.)

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

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

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONTD.)

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

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

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

(f) In the opinion of the directors:

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

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

SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in this report, other significant events during the financial year are disclosed in Note 40 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 41 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 September 2010.

Tan Sri Dato' Kok Onn

Datuk Wan Lokman Bin Dato' Wan Ibrahim

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Dato' Kok Onn and Datuk Wan Lokman Bin Dato' Wan Ibrahim, being two of the directors of Gadang Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 41 to 118 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2010 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 September 2010.

Tan Sri Dato' Kok Onn

Datuk Wan Lokman Bin Dato' Wan Ibrahim

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Kok Pei Ling, being the officer primarily responsible for the financial management of Gadang Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 41 to 118 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Kok Pei Ling
at Kuala Lumpur in the Federal Territory
on 23 September 2010.

Kok Pei Ling

Before me,

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF GADANG HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Gadang Holdings Berhad, which comprise the balance sheets as at 31 May 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 41 to 118.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2010 and of their financial performance and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OFGADANG HOLDINGS BERHAD (INCORPORATED IN MALAYSIA) (CONT'D)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 19 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants

Lee Seng Huat
No. 2518/12/11(J)
Chartered Accountant

Kuala Lumpur, Malaysia
23 September 2010

INCOME STATEMENTS
FOR THE YEAR ENDED 31 MAY 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Revenue	4	270,454,407	246,692,767	19,500,000	4,816,000
Cost of sales	5	(226,558,090)	(219,143,544)	–	–
Gross profit		43,896,317	27,549,223	19,500,000	4,816,000
Other income		3,486,527	9,303,969	31,017	425,818
Administrative expenses		(9,351,901)	(8,508,041)	(1,950,284)	(2,025,878)
Other expenses		(15,134,766)	(13,096,522)	(1,082,628)	(947,945)
Finance costs	6	(3,761,076)	(5,571,161)	(996,429)	(1,778,790)
Share of results of associates		(22,458)	16,678	–	–
Profit before tax	7	19,112,643	9,694,146	15,501,676	489,205
Income tax (expense)/credit	10	(5,225,149)	(6,149,065)	(4,268,327)	114,212
Profit for the year		13,887,494	3,545,081	11,233,349	603,417
Attributable to:					
Equity holders of the Company		14,915,669	3,030,080	11,233,349	603,417
Minority interests		(1,028,175)	515,001	–	–
		13,887,494	3,545,081	11,233,349	603,417
Earnings per share					
Attributable to equity holders of the Company (sen):					
- Basic	11(a)	12.64	2.57		
Net dividend per share (sen)	12	–	1.85		

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

BALANCE SHEETS
AS AT 31 MAY 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Assets					
Non-current assets					
Property, plant and equipment	14	70,600,233	21,535,727	60,008	45,572
Biological assets	15	1,399,298	–	–	–
Investment properties	16	15,417,640	4,197,040	–	–
Prepaid lease payments	17	2,450,433	2,502,090	–	–
Concession assets	18	35,854,797	35,718,166	–	–
Investments in subsidiaries	19	–	–	85,157,851	85,157,849
Investments in associates	20	–	647,458	–	–
Other investments	21	226,000	226,000	–	–
Goodwill on consolidation	22	17,033,313	17,155,975	–	–
Deferred tax assets	23	856,022	1,085,209	–	–
		143,837,736	83,067,665	85,217,859	85,203,421
Current assets					
Property development costs	24	74,830,554	86,475,011	–	–
Amounts due from customers on contracts	25	73,230,250	37,307,777	–	–
Inventories	26	15,695,515	14,512,229	–	–
Trade and other receivables	27	111,280,236	140,420,630	246,902	156,608
Amounts due from subsidiaries	28	–	–	101,348,808	88,428,218
Tax recoverable		883,271	1,379,978	910,511	1,163,774
Fixed deposits	29	8,188,796	5,104,956	3,909,166	1,807,678
Cash and bank balances	29	17,796,731	9,379,335	2,650,913	677,833
		301,905,353	294,579,916	109,066,300	92,234,111
Total assets		445,743,089	377,647,581	194,284,159	177,437,532

BALANCE SHEETS
AS AT 31 MAY 2010 (CONT'D)

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	30	118,015,791	118,015,791	118,015,791	118,015,791
Reserves	31	66,953,629	52,643,398	35,624,399	24,391,050
		184,969,420	170,659,189	153,640,190	142,406,841
Minority interests		4,249,168	5,212,037		–
Total equity		189,218,588	175,871,226	153,640,190	142,406,841
Non–current liabilities					
Deferred tax liabilities	23	5,580,391	6,740,453	12,682	8,924
Bank borrowings	32	35,329,667	18,049,259	–	2,179,507
Defined benefit obligations	33	940,967	376,927	–	–
		41,851,025	25,166,639	12,682	2,188,431
Current liabilities					
Provisions	34	478,881	–	–	–
Trade and other payables	35	123,588,652	103,129,527	209,530	197,459
Amounts due to customers on contracts	25	62,693	157,116	–	–
Amounts due to subsidiaries	28	–	–	25,200,042	13,177,951
Bank borrowings	32	88,439,684	70,300,836	15,221,715	19,466,850
Provision for taxation		2,103,566	3,022,237		–
		214,673,476	176,609,716	40,631,287	32,842,260
Total liabilities		256,524,501	201,776,355	40,643,969	35,030,691
Total equity and liabilities		445,743,089	377,647,581	194,284,159	177,437,532

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2010

	Attributable to equity holders of the Company								
	Non-Distributable				Distributable				
	Share Capital RM	ICULS RM	Capital Reserve RM	Share Premium RM	Foreign Exchange Reserve RM	Retained Profits RM	Total RM	Minority Interests RM	Total Equity RM
At 1 June 2008									
As Previously stated	117,963,037	66,285	1,346,681	8,817,588	(716,534)	42,765,639	170,242,696	4,583,718	174,826,414
Acquisition of subsidiaries	–	–	–	–	–	–	–	144,382	144,382
Dividend paid (Note 12)	–	–	–	–	–	(2,183,292)	(2,183,292)	–	(2,183,292)
Issuance pursuant to ICULS	52,754	–	–	–	–	–	52,754	–	52,754
Conversion of ICULS into ordinary shares	–	(66,285)	–	14,246	–	–	(52,039)	–	(52,039)
Net expense recognised directly in equity:									
- Foreign exchange differences	–	–	–	–	(415,010)	–	(415,010)	(31,064)	(446,074)
- Share issue expensed	–	–	–	(16,000)	–	–	(16,000)	–	(16,000)
	–	–	–	(16,000)	(415,010)	–	(431,010)	(31,064)	(462,074)
Profit for the year	–	–	–	–	–	3,030,080	3,030,080	515,001	3,545,081
Total recognised income and expense for the year	–	–	–	(16,000)	(415,010)	3,030,080	2,599,070	483,937	3,083,007
At 31 May 2009	118,015,791	–	1,346,681	8,815,834	(1,131,544)	43,612,427	170,659,189	5,212,037	175,871,226

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2010 (CONT'D)

	Attributable to equity holders of the Company								
	Non-Distributable				Distributable				
	Share Capital RM	ICULS RM	Capital Reserve RM	Share Premium RM	Foreign Exchange Reserve RM	Retained Profits RM	Total RM	Minority Interests RM	Total Equity RM
At 1 June 2009	118,015,791	–	1,346,681	8,815,834	(1,131,544)	43,612,427	170,650,189	5,212,037	175,871,226
Net expense recognised directly in equity:									
- Foreign exchange differences	–	–	–	–	(605,438)	–	(605,438)	65,306	(540,132)
	–	–	–	–	(605,438)	–	(605,438)	65,306	(540,132)
Profit for the year	–	–	–	–	–	14,915,669	14,915,669	(1,028,175)	13,887,494
Total recognised income and expense for the year	–	–	–	–	(605,438)	14,915,669	14,310,231	(962,869)	13,347,362
At 31 May 2010	118,015,791	–	1,346,681	8,815,834	(1,736,982)	58,528,096	184,969,420	4,249,168	189,218,588

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2010

	Non-Distributable			Distributable	
	Share Capital RM	ICULS RM	Share Premium RM	Retained Profits RM	Total RM
At 1 June 2008	117,963,037	66,285	8,817,588	17,155,091	144,002,001
Issuance pursuant to:					
ICULS	52,754	–	–	–	52,754
Conversion of ICULS into ordinary shares	–	(66,285)	14,246	–	(52,039)
Net expense recognised directly in equity:					
– share issue expenses	–	–	(16,000)	–	(16,000)
Profit for the year	–	–	–	603,417	603,417
Total recognised income and expense for the year	–	–	(16,000)	603,417	587,417
Dividend paid (Note 12)	–	–	–	(2,183,292)	(2,183,292)
At 31 May 2009	118,015,791	–	8,815,834	15,575,216	142,406,841
At 1 June 2009	118,015,791	–	8,815,834	15,575,216	142,406,841
Profit for the year	–	–	–	11,233,349	11,233,349
Total recognised income and expense for the year	–	–	–	11,233,349	11,233,349
At 31 May 2010	118,015,791	–	8,815,834	26,808,565	153,640,190

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 MAY 2010

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash flows from operating activities				
Profit before tax	19,112,643	9,694,146	15,501,676	489,205
Adjustments for:				
Depreciation of property, plant and equipment	2,605,006	2,241,550	9,725	8,286
Depreciation of concession assets	1,784,130	1,410,339	–	–
Amortisation of prepaid lease payments	51,657	51,657	–	–
Impairment losses on goodwill	122,662	–	–	–
Share of results of associates	22,458	(16,678)	–	–
Gain on disposal of property, plant and equipment	(547,763)	(49,748)	–	–
Gain on disposal of assets held for sale	–	(70,940)	–	–
Increase in liability for defined benefit obligations	553,466	151,371	–	–
Write down of inventories	187,255	–	–	–
Concession assets written off	90	–	–	–
Provision for doubtful debts	266,496	1,644,321	–	–
Liquidated ascertained damages receivable	(210,833)	–	–	–
Provision for liquidated ascertained damages	478,881	–	–	–
Interest expense	3,761,076	5,571,161	996,429	1,778,790
Interest income	(287,856)	(631,817)	(31,017)	(425,818)
Dividend income	–	–	(15,400,000)	(1,000,000)
Operating profit before working capital changes	27,899,368	19,995,362	1,076,813	850,463
Changes in working capital:				
Property development costs	11,644,457	8,968,756	–	–
Biological assets	(1,399,298)	–	–	–
Amounts due to/from customers on contracts	(33,698,747)	(6,894,309)	–	–
Inventories	(1,370,541)	(181,149)	–	–
Receivables	17,864,131	(7,683,933)	(90,294)	(26,383)
Payables	20,452,207	2,810,526	12,070	(325,335)
Intercompany balances	–	–	(898,498)	9,579,542
Cash generated from operating activities	41,391,577	17,015,253	100,091	10,078,287
Tax paid	(6,577,988)	(6,290,117)	(161,307)	(148,591)
Net cash generated from/(used in) operating activities	34,813,589	10,725,136	(61,216)	9,929,696

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MAY 2010 (CONT'D)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash flows from investing activities				
Net cash flow on acquisition of subsidiaries (Note 19(a))	–	(2,073,634)	–	–
Additional investment in an associate	–	(325,000)	–	–
Acquisition of shares in a subsidiary	–	–	(2)	(2)
Purchase of property, plant and equipment	(31,282,231)	(4,502,967)	(24,161)	(6,644)
Purchase of investment properties	(93,888)	–	–	–
Purchase of concession assets	(1,124,680)	(2,788,871)	–	–
Proceeds from disposal of property, plant and equipment	811,622	63,429	–	–
Proceeds from disposal of an associate	625,000	–	–	–
Proceeds from disposal of concession assets	–	95,004	–	–
Proceeds from disposal of assets held for sales	–	1,162,320	–	–
Interest received	287,856	631,817	31,017	425,818
Dividends received	–	–	11,550,000	750,000
Net cash (used in)/generated from investing activities	(30,776,321)	(7,737,902)	11,556,854	1,169,172
Cash flows from financing activities				
Payments to hire purchase payables	(2,789,235)	(557,107)	–	–
Interest paid	(3,761,076)	(5,571,161)	(996,429)	(1,778,790)
Share issue expenses	–	(16,000)	–	(16,000)
Drawdown of bank borrowings	34,159,351	19,551,287	314,000	2,500,000
Repayment of bank borrowings	(23,088,930)	(14,265,319)	(7,421,668)	(10,976,010)
Dividends paid	–	(2,183,292)	–	(2,183,292)
Net cash generated from/(used in) financing activities	4,520,110	(3,041,592)	(8,104,097)	(12,454,092)
Net increase/(decrease) in cash and cash equivalents	8,557,378	(54,358)	3,391,541	(1,355,224)
Translation differences	(1,458,975)	(681,650)	–	–
Cash and cash equivalents at beginning of year	1,649,995	2,386,003	(1,752,340)	(397,116)
Cash and cash equivalents at end of year (Note 29)	8,748,398	1,649,995	1,639,201	(1,752,340)

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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010

1. CORPORATE INFORMATION

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

The principal activities of the Company are the provision of management services and investment holding. The principal activities of its subsidiaries are described in Note 19.

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

(i) GLP Resources (M) Sdn Bhd has changed its principal activities from trading in protective and decorative coatings to general trading; and

(ii) Desiran Impian Sdn Bhd has changed its principal activities from investment holding to plantation.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 September 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with Financial Reporting Standards ("FRSs") and the Companies Act, 1965.

The Group and the Company adopted a new accounting policy in respect of biological assets as described in Note 2(g).

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

(b) Subsidiaries and basis of consolidation

(i) Subsidiaries

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Subsidiaries and basis of consolidation (contd.)

(ii) Basis of consolidation

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

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

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

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

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

(c) Associates

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Associates (contd.)

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

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

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

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

(d) Jointly controlled entities

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

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

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

(e) Goodwill

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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Property, plant and equipment, and depreciation

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

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

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

Buildings	2%
Plant and machinery	5% – 10%
Tools and equipment	10%
Office equipment	10%
Furniture and fittings	10%
Renovations	10%
Motor vehicles	20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

(g) Biological assets

Oil palm planting expenditure

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(h) 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 on the scheduled tariff and projected water consumption.

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

(i) Investment properties

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

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

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

(j) Property development costs

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Property development costs (contd.)

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

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

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

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

(k) Construction contracts

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

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

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

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

(l) Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(m) Provisions

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

(n) Leases

(i) Classification

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

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

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

(ii) Finance leases - the Group as lessee

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Leases (contd.)

(iii) Operating leases - the Group as lessee

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

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

(iv) Operating leases - the Group as lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straightline 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.

(o) Impairment of non-financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(o) Impairment of non-financial assets (contd.)

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

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

(p) Income tax

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

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as an income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(q) Employee benefits

(i) Short term benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Employee benefits (contd.)

(ii) Defined contribution plan

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

(iii) Unfunded defined benefit plan

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

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

(iv) Terminations benefits

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

(r) Revenue recognition

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

(i) Sale of properties

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

(ii) Construction contracts

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

(iii) Rental income

Rental income are recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(r) Revenue recognition (contd.)

(iv) Interest income

Interest income is recognised on an accrual basis.

(v) Sale of goods

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

(vi) Dividend income

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

(vii) Management fees

Management fees are recognised when services are rendered.

(viii) Water concession

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

(s) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(s) F oreign currencies (contd.)

(ii) Foreign currency transactions

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

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

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

(iii) Foreign operations

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(t) Financial instruments

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

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

(i) Other non-current investments

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

(ii) Marketable securities

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

(iii) Receivables

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

(iv) Payables

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

(v) Cash and cash equivalents

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

(vi) Interest-bearing loans and borrowings

All loans and borrowings initially recognised at the fair value of the consideration less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(t) Financial instruments (contd.)

(vi) Interest-bearing loans and borrowings (contd.)

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

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

(vii) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(u) Significant accounting estimates and judgements

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

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

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 May 2010 was RM17,033,313 (2009: RM17,155,975). Further details are disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(u) Significant accounting estimates and judgements (contd.)

(ii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are disclosed in Note 23.

(iii) Property development

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

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

(iv) Construction contracts

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

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, as well as the recoverability of the construction projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. Details of construction contracts are disclosed in Note 25.

(v) Projected water revenue of the concession

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(u) Significant accounting estimates and judgements (contd.)

(vi) Provision for doubtful debts

The Group makes provision for bad and doubtful debts based on an assessment of recoverability of trade and other receivables. Provisions are made in respect of trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Significant jugdgement is required in the assessment of the recoverability of receivables where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and provision for doubtful debts in the period in which such estimate has changed. As at 31 May 2010, the provision for doubtful debts is RM4,674,266 (2009: RM4,407,770).

(vii) Allowance for write-down in inventories

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

(viii) 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.

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

(a) Standards issued but not yet effective

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

Effective for financial periods beginning on or after 1 July 2009:
FRS 8: Operating Segments

Effective for financial periods beginning on or after 1 January 2010:
FRS 4: Insurance Contracts
FRS 7: Financial Instruments: Disclosures
FRS 101: Presentation of Financial Statements (revised)
FRS 123: Borrowing Costs
FRS 139: Financial Instruments: Recognition and Measurement
Amendments to FRS 1 and FRS 127: First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2: Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 7: Financial Instruments: Disclosures
Amendments to FRS 132: Financial Instruments: Presentation

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

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

(a) Standards issued but not yet effective (contd.)

Effective for financial periods beginning on or after 1 January 2010: (contd.)

Amendments to FRS 139, FRS 7 and IC Interpretation 9: Financial Instruments: Recognition and Measurement, Disclosures and Reassessment of Embedded Derivatives
Amendments to FRSs 'Improvements to FRSs (2009)
IC Interpretation 9: Reassessment of Embedded Derivatives and Impairment
IC Interpretation 10: Interim Financial Reporting and Impairment
IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13: Customer Loyalty Programmes
IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TR i – 3: Presentation of Financial Statements of Islamic Financial Institutions

Amendments effective for annual periods beginning on or after 1 March 2010:
Amendments to FRS 132: Financial Instruments: Presentation

Effective for financial periods beginning on or after 1 July 2010:
FRS 1: First-time Adoption of Financial Reporting Standards
FRS 3: Business Combinations (revised)
FRS 127: Consolidated and Separate Financial Statements (amended)
Amendments to FRS 2: Share-based Payment
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138: Intangible Assets
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 12: Service Concession Arrangements
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17: Distributions of Non-cash Assets to Owners

Amendments effective for annual periods beginning on or after 1 January 2011:
Amendment to FRS 1: Limited Exemption from Comparative FRS 7: Disclosures for First-time Adopters
Amendments to FRS 7: Improving Disclosures about Financial Instruments
Amendments to FRS 1: Additional Exemptions for First-time Adopters
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions
IC Interpretation 4: Determining whether an Arrangement contains a Lease
IC Interpretation 18: Transfers of Assets from Customers

Amendments effective for annual periods beginning on or after 1 January 2012:
IC Interpretation 15: Agreements for the Construction of Real Estate

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

The new FRSs, Amendments to FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except for the following:

FRS 3: Business Combinations (revised) and FRS 127: Consolidated and Separate Financial Statements (amended)

FRS 3 (revised) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

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

(a) Standards issued but not yet effective (contd.)

FRS 3: Business Combinations (revised) and FRS 127: Consolidated and Separate Financial Statements (amended) (contd.)

FRS 127 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

The changes by FRS 3 (revised) and FRS 127 (amended) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

FRS 8: Operating Segment

FRS 8 replaces FRS 1142004: Segment Reporting and requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments. As this is a disclosure standard, there will be no impact on the financial position or results of the Group.

FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the statements of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and of the Company.

FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures

The new Standard on FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial instruments are in FRS 7: Financial Instruments: Disclosures.

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and of the Company's exposure to risks, enhanced disclosure regarding components of the Group's and of the Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

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

(a) Standards issued but not yet effective (contd.)

Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendment to FRS 1 allow first-time adopters to use costs, determined in accordance with FRS 127, or deemed cost of either fair value (in accordance with FRS 139) or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate opening FRS balance sheet. In the amendment to FRS 127, there is no longer a distinction between pre-acquisition and post-acquisition dividends. The amendment also requires the cost of the investment of a new parent in a group (in a reorganisation meeting certain criteria) to be measured at the carrying amount of its share of equity as shown in the separate financial statements of the previous parent. The amendments also remove the definition of the cost method from FRS 127 and will be applied prospectively that affect only the financial statements of the Company and do not have an impact on the financial statements of the Group.

FRS 132 Financial Instruments: Disclosures and Presentation will be renamed as Financial Instruments: Presentation upon the adoption of FRS 7 Financial Instruments: Disclosures. The amendments provide a limited scope exception for puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. An instrument that meets the definition of a financial liability is classified as an equity instrument only if it fulfils a number of specific features and conditions as stipulated in the Standard.

Amendments to FRSs 'Improvements to FRSs (2009)'

– FRS 8 Operating Segments: Clarifies that segment information with respect to total asset is required only if they are included in measures of segment profit or loss that are used by the 'chief operating decision maker'.

– FRS 107 Statement of Cash Flows (formerly known as Cash Flow Statements): Clarifies that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

– FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Clarifies that only implementation guidance that is an integral part of an FRS is mandatory when selecting accounting policies.

– FRS 117 Leases: Clarifies on the classification of leases of land and buildings. The Group is still assessing the potential implication as a result of the reclassification of its unexpired land leases as operating or finance leases. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with the transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings. The Group is currently in the process of assessing the impact of this amendment.

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

(a) Standards issued but not yet effective (contd.)

Amendments to FRSs 'Improvements to FRSs (2009)' (contd.)

- FRS 119 Employee Benefits: The amendment revises the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. It clarifies that the costs of administering the plan may be either recognised in the rate of return on plan assets or included in the actuarial assumptions used to measure the defined benefit obligation. The amendment further clarifies that amendment to plans that result in a reduction in benefits related to future services are curtailments. It also deleted the reference to the recognition of contingent liabilities to ensure consistency with FRS 137 Provisions, Contingent Liabilities and Contingent Assets.

- FRS 123 Borrowing Costs: The definition of borrowing costs is aligned with FRS 139 by referring to the use of effective interest rate as a component of borrowing cost.

- FRS 127 Consolidated and Separate Financial Statements: The amendment clarifies that when a parent entity accounts for a subsidiary at fair value in accordance with FRS 139 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

- FRS 128 Investments in Associates: The amendment clarifies that if an associate is accounted for at fair value in accordance with FRS 139, only the requirement of FRS 128 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the investor in the form of cash or repayment of loans applies. It further clarifies that an investment in an associate is treated as a single asset for the purpose of impairment testing. Therefore, any impairment loss is not separately allocated to the goodwill included in the investment balance.

- FRS 131 Interests in Joint Ventures: The amendment clarifies that if a joint venture is accounted for 'at fair value through profit or loss', in accordance with FRS 139, only the requirements of FRS 131 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

- FRS 136 Impairment of Assets: Clarifies that when discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. The amendment further clarifies that the largest cash-generating unit for group of units to which goodwill should be allocated for purposes of impairment testing is an operating segment as defined in FRS 8.

- FRS 138 Intangible Assets: Clarifies that expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. The amendments also provide guidance regarding valuation techniques to measure the fair value of an intangible asset acquired in a business combination when there is no active market for the asset. In addition, the reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method" has been removed.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

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

(a) Standards issued but not yet effective (contd.)

Amendments to FRSs 'Improvements to FRSs (2009)' (contd.)

– FRS 139 Financial Instruments: Recognition and Measurement: Clarifies that changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. It also clarifies on the scope exemption for business combination contracts. The amendments remove the reference in FRS 139 to a 'segment' when determining whether an instrument qualifies as a hedge and requires the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting. It also provides additional guidance on determining whether loan prepayment penalties result in an embedded derivates that needs to be separated. In addition, the amendments state that the gains or losses on a hedged instrument should be reclassified from equity to profit or loss during the period that the hedged forecast cash flows impact profit or loss.

– FRS 140 Investment Property: Property under construction or development for future use as an investment property is classified as investment property. Where the fair value model is applied, such property is measured at fair value. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. The Group has previously stated investment properties at cost less accumulated depreciation and impairment losses. The amendment also includes changes in terminology in the Standard to be consistent with FRS 108. The change will be applied prospectively.

IC Interpretation 9: Reassessment of Embedded Derivatives and Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives

– This IC requires that there should be no subsequent reassessment of whether an embedded derivative should be separated from the host contract after initial recognition, unless there have been changes to the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract. The amendments to the IC clarifies that on reclassification of a financial asset out of the 'at fair value through profit or loss' category all embedded derivatives within the scope of this IC and FRS 139 have to be assessed and, if necessary, separately accounted for in financial statements. The IC is to be applied retrospectively.

IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

– This IC provides guidance on how to assess the limit, under FRS 119 Employee Benefits, on the amount of surplus in a defined benefit scheme that can be recognised as an asset and explains how the minimum funding requirements will affect the defined benefit asset and addresses when minimum funding requirements may give rise to a liability.

FRS 1: First-time Adoption of Financial Reporting Standards

– This FRS supersedes FRS 1 (issued in 2005 and amended in May 2009). The Standard sets out the procedures that an entity must follow when it adopts FRSs for the first time as the basis for preparing its financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

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

(a) Standards issued but not yet effective (contd.)

Amendments to FRS 138: Intangible Assets

The amendments clarify that an intangible asset must be recognised separately from goodwill even if it is separable only together with a related contract, identifiable asset, or liability. Also, if an intangible asset is separable only together with another intangible asset, those assets can be recognised together as a single asset, and if the individual assets in a group of complementary intangible assets have similar useful lives, those assets can be recognised together as a single asset.

Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives

The amendments clarifies that the scope of IC 9 which does not apply to embedded derivatives in contracts acquired in a business combination, a combination of entities or businesses under common control as defined in FRS 3 Business Combinations (revised), or the formation of a joint venture as defined in FRS 131: Interests in Joint Ventures.

IC Interpretation 12: Service Concession Arrangements

This IC applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The transitional provision exempts the disclosure of the possible impact to the financial statements upon the initial application of the IC.

IC Interpretation 15: Agreements for the Construction of Real Estate

This IC requires that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit.

IC Interpretation 17: Distributions of Non-cash Assets to Owners

This IC provides guidance on the recognition and measurement of liabilities arising from dividends paid in the form of assets other than and clarifies that the dividend payable should measured at the fair value of the assets to be distributed. It also clarifies that the difference between the carrying amount of the assets distributed and the fair value of the dividend paid should be taken to income statement.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

4. REVENUE

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Gross dividend from subsidiaries	–	–	15,400,000	1,000,000
Revenue from construction contracts	200,665,030	177,236,618	–	–
Rental income	599,297	325,407	–	–
Sale of development properties	55,613,684	54,821,519	–	–
Trading in protective and decorative coatings	79,021	2,933,542	–	–
Water concession	13,497,375	11,375,681	–	–
Management fees from subsidiaries	–	–	4,100,000	3,816,000
	270,454,407	246,692,767	19,500,000	4,816,000

5. COST OF SALES

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

6. FINANCE COSTS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Interest expense on:				
- bank borrowings	3,616,268	5,460,608	996,429	1,778,032
- hire purchase contracts	144,808	109,795	–	–
- ICULS 2003/2008	–	758	–	758
	3,761,076	5,571,161	996,429	1,778,790

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

7. PROFIT BEFORE TAX

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Profit before tax is stated after charging/(crediting):				
Auditors' remuneration - statutory audits:				
Ernst & Young				
- current	99,500	109,300	25,000	25,000
- (over)/underprovision in prior year	(7,900)	18,250	–	–
Other auditors				
- current	96,600	93,659	–	–
- (over)/underprovision in prior year	(1,900)	146	–	–
Depreciation of property, plant and equipment (Note 14)	2,605,006	2,241,550	9,725	8,286
Depreciation of concession assets (Note 18)	1,784,130	1,410,339	–	–
Amortisation of prepaid lease payments (Note 17)	51,657	51,657	–	–
Impairment of goodwill				
- included in administrative expenses (Note 22)	122,662	–	–	–
Non-executive directors' remuneration (Note 9)	126,000	74,000	126,000	74,000
Concession assets written off (Note 18)	90	–	–	–
Liquidated ascertained damages receivable	(210,833)	–	–	–
Provision for liquidated ascertained damages (Note 34)	478,881	–	–	–
Provision for doubtful debts (Note 27)	266,496	1,644,321	–	–
Waiver of trade debts	–	(2,581,735)	–	–
Operating leases				
- minimum lease payments for land and building	–	–	134,676	134,676
- income from lease of land and buildings	(194,800)	(314,630)	–	–
Employee benefits expense (Note 8)	16,814,188	14,903,327	1,950,289	2,025,878
Gain on disposal of property, plant and equipment	(547,763)	(49,748)	–	–
Write-down of inventories	187,255	–	–	–
Gain on disposal of assets held for sale	–	(70,940)	–	–
Interest income				
- subsidiaries	–	–	–	(405,907)
- fixed deposits	(287,856)	(631,817)	(31,017)	(19,911)
Net foreign exchange gain	51,139	389,695	–	–

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Salaries and other benefits	14,828,880	13,417,869	1,801,893	1,860,417
Contributions to:				
- defined contribution plan	1,431,842	1,334,087	148,396	165,461
- defined benefit plan (Note 33)	553,466	151,371	–	–
	16,814,188	14,903,327	1,950,289	2,025,878

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,362,652 (2009: RM2,129,345) and RM395,398 (2009: RM605,876) respectively as further disclosed in Note 9.

9. DIRECTORS' REMUNERATION

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Directors of the Company:				
Executive *:				
Salaries and other emoluments	914,074	1,280,155	377,703	564,078
Defined contribution plan	38,646	83,596	17,695	41,798
Non-Executive:				
Fees (Note 7)	126,000	74,000	126,000	74,000
	1,078,720	1,437,751	521,398	679,876
Directors of subsidiaries:				
Executive:				
Salaries and other emoluments	1,305,700	685,014	–	–
Defined contribution plan	104,232	80,580	–	–
	1,409,932	765,594	–	–
Total directors' remuneration	2,488,652	2,203,345	521,398	679,876
Estimated money value of benefits-in-kind	49,300	41,800	3,063	–
Total directors' remuneration including benefits-in-kind	2,537,952	2,245,145	524,461	679,876

9. DIRECTORS' REMUNERATION (CONTD.)

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

	Number of directors 2010	2009
Executive directors * :		
RM100,001 - RM150,000	2	–
RM200,001 - RM250,000	1	1
RM300,001 - RM350,000	–	1
RM350,001 - RM400,000	–	1
RM450,001 - RM500,000	1	1
Non-executive directors:		
RM50,000 and below	3	3

* Inclusive of directors who have resigned/retired during the financial year.

10. INCOME TAX EXPENSE/(CREDIT)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current income tax:				
Malaysian income tax	5,274,697	5,412,195	4,148,886	30,988
Foreign tax	595,888	838,640	–	–
	5,870,585	6,250,835	4,148,886	30,988
Under/(over)provision in prior years:				
Malaysian income tax	135,076	589,791	115,683	(154,124)
	6,005,661	6,840,626	4,264,569	(123,136)
Deferred tax (Note 23):				
Relating to origination and reversal of temporary differences	(706,089)	(648,321)	468	289
Relating to change in Malaysian tax rate	–	(20,048)	–	–
(Over)/underprovision in prior years	(74,423)	(23,192)	3,290	8,635
	(780,512)	(691,561)	3,758	8,924
Total income tax expense/(credit)	5,225,149	6,149,065	4,268,327	(114,212)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

10. INCOME TAX EXPENSE/(CREDIT) (CONTD.)

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Profit before tax	19,112,643	9,694,146	15,501,676	489,205
Taxation at Malaysian statutory tax rate of 25%	4,778,161	2,423,537	3,875,419	122,301
Effect of different tax rates in other countries	(54,530)	(18,266)	–	–
Effect of changes in tax rate in opening balance of deferred tax	–	4,299	–	–
Income not subject to tax	(4,114,199)	(944,076)	(74,406)	(213,419)
Expenses not deductible for tax purposes	4,290,929	3,519,659	348,341	122,395
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(383,262)	(158,898)	–	–
Deferred tax assets not recognised	647,397	756,211	–	–
Under/(over)provision of income tax in prior years	135,076	589,791	115,683	(154,124)
(Over)/underprovision of deferred tax in prior years	(74,423)	(23,192)	3,290	8,635
Tax expense for the year	5,225,149	6,149,065	4,268,327	(114,212)

11. EARNINGS PER SHARE

(a) Basic

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

	Group	
	2010	2009
Profit for the year attributable to ordinary equity holders of the Company (RM)	14,915,669	3,030,080
Weighted average number of ordinary shares in issue	118,015,791	117,985,584
Basic earnings per share (sen)	12.64	2.57

(b) Diluted

There is no dilution in earnings per share as there are no dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

12. DIVIDEND

	2010 RM	2009 RM
In respect of financial year ended 31 May 2008:		
Final dividend of 2.5%, less 26% tax on 118,015,791 ordinary shares (1.85 sen net per ordinary share)	–	2,183,292

The directors do not recommend the payment of any dividend in respect of the current financial year.

13. JOINTLY CONTROLLED ENTITIES

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

Name of jointly controlled entities	Principal activities	Proportion of ownership 2010 %	2009 %
Held by Gadang Engineering Sdn Bhd:			
Konsortium Gadang Perembun*	Undertake design and build of the rehabilitation hospital (Lady Templer)	55	55
Gadang–BJQ Joint Venture **	Undertake site preparation, earthworks and main drainage for Runway 3 and its associated taxiways (Package EW02A) for the proposed development of new Low Cost Carrier Terminal	70	–

	2010 RM	2009 RM
Assets and liabilities		
Non-current assets	652,690	353,998
Current assets	43,307,976	11,785,806
Total assets	43,960,666	12,139,804
Current liabilities, representing total liabilities	43,410,666	12,329,584
Results		
Revenue	55,970,808	25,454,260
Expenses, including finance costs and taxation	76,667	20,209,117

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovations RM	Plant-in-progress RM	Total RM
Group										
31 May 2010										
Cost/Valuation										
At 1 June 2009	3,051,895	6,602,539	49,567,582	6,764,130	3,511,289	1,419,123	7,801,659	1,094,412	1,368,988	81,181,617
Additions	93,888	180,085	49,294,885	590,967	139,770	276,925	3,440,948	–	–	54,017,468
Reclassifications	–	–	1,368,988	–	–	–	–	–	(1,368,988)	–
Disposals	–	–	(1,646,669)	(102,500)	(48,446)	(598)	(389,709)	–	–	(2,187,922)
Exchange difference	9,652	63,483	83,710	18,765	16,670	–	25,587	–	–	217,867
At 31 May 2010	3,155,435	6,846,107	98,668,496	7,271,362	3,619,283	1,695,450	10,878,485	1,094,412	–	133,229,030
Representing										
At cost	9,652	63,483	98,668,496	7,271,362	3,619,283	1,695,450	10,878,485	1,094,412	–	123,300,623
At Valuation	3,145,783	6,782,624	–	–	–	–	–	–	–	9,928,407
	3,155,435	6,846,107	98,668,496	7,271,362	3,619,283	1,695,450	10,878,485	1,094,412	–	133,229,030

14. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Freehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovations RM	Plant-in-progress RM	Total RM
Group (contd.)										
31 May 2010 (contd.)										
Accumulated depreciation										
At 1 June 2009	–	1,582,159	42,075,998	4,800,190	2,909,827	1,324,439	6,042,689	910,588	–	59,645,890
Reclassification	–	–	71,356	–	–	–	–	–	–	71,356
Depreciation charge for the year:										
Recognised in income statement (Note 7)	–	365,617	816,684	447,251	198,784	41,261	695,972	39,437	–	2,605,006
Capitalised in construction cost (Note 25)	–	–	1,869,333	290,929	5,322	–	152,565	–	–	2,318,149
	–	365,617	2,686,017	738,180	204,106	41,261	848,537	39,437	–	4,923,155
Exchange difference	–	929	37,969	8,169	11,853	–	18,783	–	–	77,703
Disposals	–	–	(1,602,948)	(84,850)	(24,245)	(535)	(376,729)	–	–	(2,089,307)
At 31 May 2010	–	1,948,705	43,268,392	5,461,689	3,101,541	1,365,165	6,533,280	950,025	–	62,628,797
Net carrying amount										
At 31 May 2010:										
At cost	9,652	63,483	55,400,104	1,809,673	517,742	330,285	4,345,205	144,387	–	62,620,531
At Valuation	3,145,783	4,833,919	–	–	–	–	–	–	–	7,979,702
	3,155,435	4,897,402	55,400,104	1,809,673	517,742	330,285	4,345,205	144,387	–	70,600,233

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

14. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group (contd.)

31 May 2009

Cost/Valuation

	Freehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovations RM	Plant-in-progress RM	Total RM
At 1 June 2008	2,860,000	6,569,957	45,092,023	4,844,261	3,401,932	1,439,126	7,384,471	1,095,053	–	72,686,823
Acquisition of subsidiaries	208,359	35,378	1,969,516	34,261	72,605	–	52,830	–	–	2,372,949
Additions	–	–	2,464,491	1,888,315	120,038	4,832	637,242	25,375	1,368,988	6,509,281
Disposals/Write–offs	–	–	(12,547)	–	(14,811)	(24,835)	(262,617)	(26,016)	–	(340,826)
Exchange difference	(16,464)	(2,796)	54,099	(2,707)	(68,475)	–	(10,267)	–	–	(46,610)
At 31 May 2009	3,051,895	6,602,539	49,567,582	6,764,130	3,511,289	1,419,123	7,801,659	1,094,412	1,368,988	81,181,617
Representing:										
At cost	191,895	32,582	49,567,582	6,764,130	3,511,289	1,419,123	7,801,659	1,094,412	1,368,988	71,751,660
At Valuation	2,860,000	6,569,957	–	–	–	–	–	–	–	9,429,957
	3,051,895	6,602,539	49,567,582	6,764,130	3,511,289	1,419,123	7,801,659	1,094,412	1,368,988	81,181,617

14. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Freehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovations RM	Plant-in-progress RM	Total RM
Group (contd.)										
31 May 2009 (contd.)										
Accumulated depreciation										
At 1 June 2008	–	1,516,444	40,300,785	4,087,816	2,691,787	1,324,762	5,561,856	898,284	–	56,381,734
Acquisition of subsidiaries	–	35,378	916,438	30,862	62,776	–	52,830	–	–	1,098,284
Depreciation charge for the year:										
Recognised in income statement (Note 7)	–	33,133	562,188	683,951	211,027	20,836	692,095	38,320	–	2,241,550
Capitalised in construction cost (Note 25)	–	–	378,347	–	–	–	–	–	–	378,347
	–	33,133	940,535	683,951	211,027	20,836	692,095	38,320	–	2,619,897
Exchange difference	–	(2,796)	(72,416)	(2,439)	(41,756)	–	(7,473)	–	–	(126,880)
Disposals/Write-offs	–	–	(9,344)	–	(14,007)	(21,159)	(256,619)	(26,016)	–	(327,145)
At 31 May 2010	–	1,582,159	42,075,998	4,800,190	2,909,827	1,324,439	6,042,689	910,588	–	59,645,890
Net carrying amount										
At 31 May 2010:										
At cost	191,895	32,582	7,491,584	1,963,940	601,462	94,684	1,758,970	183,824	1,368,988	13,687,929
At Valuation	2,860,000	4,987,798	–	–	–	–	–	–	–	7,847,798
	3,051,895	5,020,380	7,491,584	1,963,940	601,462	94,684	1,758,970	183,824	1,368,988	21,535,727

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2010 (CONT'D)

14. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company	**Furniture and fittings RM**	**Office equipment RM**	**Total RM**
At 31 May 2010			
Cost			
At 1 June 2009	8,135	80,828	88,963
Additions	5,364	18,797	24,161
At 31 May 2010	13,499	99,625	113,124
Accumulated depreciation			
At 1 June 2009	2,756	40,635	43,391
Depreciation charge for the year (Note 7)	1,202	8,523	9,725
At 31 May 2010	3,958	49,158	53,116
Net carrying amount	9,541	50,467	60,008
At 31 May 2009			
Cost			
At 1 June 2008	6,973	75,346	82,319
Additions	1,162	5,482	6,644
At 31 May 2009	8,135	80,828	88,963
Accumulated depreciation			
At 1 June 2008	2,015	33,090	35,105
Depreciation charge for the year (Note 7)	741	7,545	8,286
At 31 May 2009	2,756	40,635	43,391
Net carrying amount	5,379	40,193	45,572

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

14. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(a) (contd.)

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

	Group	
	2010 RM	2009 RM
Freehold land	986,686	986,686
Buildings	3,019,621	3,105,284

(b) Freehold land and buildings with an aggregate net book value of RM7,650,716 (2009:RM7,782,114) are pledged to a licensed bank as security for credit facilities granted to a subsidiary as referred to in Note 32.

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

	Group	
	2010 RM	2009 RM
Plant and machinery	12,412,603	2,363,882
Motor vehicles	2,973,849	1,282,608
	15,386,452	3,646,490

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash payments	9,228,430	4,502,967	24,161	6,644
Hire purchase contracts	44,789,038	2,006,314	–	–
	54,017,468	6,509,281	24,161	6,644

15. BIOLOGICAL ASSETS

	Group	
	2010 RM	2009 RM
At 1 June	–	–
Cost incurred during the financial year	1,399,298	–
At 31 May	1,399,298	–

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

16. INVESTMENT PROPERTIES

	Group	
	2010 RM	2009 RM
At 1 June 2009/2008	4,197,040	222,800
Contra of lands	11,220,600	–
Transfer from assets held for sale	–	3,974,240
At 31 May	15,417,640	4,197,040
Represented by:		
Freehold land	15,417,640	4,197,040

Investment properties with an aggregate carrying value of RM3,974,240 (2009: RM3,974,240) are pledged as securities for borrowings (Note 32).

The fair values of the investment properties as at 31 May 2010 of the Group are estimated at RM20,205,521 (2009: RM7,791,000) based on directors' assessment of the current prices in an active market for the respective properties within each vicinity.

17. PREPAID LEASE PAYMENTS

	Group	
	2010 RM	2009 RM
Net carrying amount		
At 1 June 2009/2008	2,502,090	2,553,747
Amortisation charge for the year (Note 7)	(51,657)	(51,657)
At 31 May	2,450,433	2,502,090
Represented by:		
Long term leasehold land	2,450,433	2,502,090

The title deed of the leasehold land with carrying amount of RM136,380 (2009: RM138,240) is in the process of being registered in the name of the Group.

Leasehold land and buildings with carrying amounts of RM2,064,387 (2009: RM2,111,115) are pledged to a licensed bank as security for term loans and credit facilities granted to a subsidiary as referred to in Note 32.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

18. CONCESSION ASSETS

	Group	
	2010 RM	2009 RM
Cost		
At 1 June 2009/2008	43,518,914	41,206,812
Additions	1,124,680	2,788,871
Disposals	–	(228,878)
Written off	(393)	–
Exchange difference	1,246,876	(247,891)
At 31 May	45,890,077	43,518,914
Accumulated depreciation		
At 1 June 2009/2008	7,800,748	6,602,738
Acquisition of subsidiaries		–
Depreciation charge for the year (Note 7)	1,784,130	1,410,339
Disposals	–	(133,874)
Written off	(303)	–
Exchange difference	450,705	(78,455)
At 31 May	10,035,280	7,800,748
Net carrying amount	35,854,797	35,718,166

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010 RM	2009 RM
Unquoted shares at cost	85,157,851	85,157,849

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

19. INVESTMENTS IN SUBSIDIARIES (CONTD.)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Equity interest held 2010	2009	Principal activities
Gadang Engineering (M) Sdn Bhd and its subsidiaries	Malaysia	100%	100%	Earthwork, building and civil engineering and construction work contractors and investment holding
Bincon Sdn Bhd	Malaysia	100%	100%	Hire of plant and machinery
Era Berkat Sdn Bhd *	Malaysia	51%	51%	Earthwork contractor
Katah Realty Sdn Bhd	Malaysia	100%	100%	Building and civil engineering construction works
Kartamo Corporation Sdn Bhd	Malaysia	100%	100%	Building and civil engineering construction works
Gadang Construction Sdn Bhd * and its subsidiary	Malaysia	100%	100%	Processing and supply of rock products and the manufacture of readymixed concrete
New–Mix Concrete Industries Sdn Bhd *	Malaysia	100%	100%	Trading in readymixed concrete
Gadang Engineering and Construction (India) Private Limited *	India	95%	95%	Dormant
Regional Utilities Sdn Bhd and its subsidiaries	Malaysia	100%	100%	Investment holding
Asian Energy Pte Ltd **	Singapore	100%	100%	Investment holding
Asian Utilities Pte Ltd * and its subsidiaries	Singapore	100%	100%	Investment holding
PT Taman Tirta Sidoarjo *	Indonesia	95%	95%	Water concession
Green Water Investment Pte. Ltd. **	Singapore	100%	100%	Water concession
PT Bintang Hytien Jaya *	Indonesia	95%	95%	Water concession
PT Hanarida Tirta Birawa *	Indonesia	85%	85%	Water concession

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

19. INVESTMENTS IN SUBSIDIARIES (CONTD.)

Name of subsidiaries	Country of incorporation	Equity interest held 2010	Equity interest held 2009	Principal activities
Asian Utilities Pte Ltd * and its subsidiaries (contd.)				
PT Sarana Catur Tirtakelola * and its subsidiary	Indonesia	65%	65%	Water concession
PT Sarana Tirta Rejeki * (80% nominal equity interest is held through PT Sarana Catur Tirtakelola and 10% is held through Asian Utilities Pte Ltd)	Indonesia	62%	62%	Water concession
Datapuri Sdn Bhd *	Malaysia	51%	51%	Provision of mechanical and electrical engineering services
Mandy Corporation Sdn Bhd	Malaysia	100%	100%	Property development
Achwell Property Sdn Bhd	Malaysia	100%	100%	Property development
Gadang Land Sdn Bhd and its subsidiaries	Malaysia	100%	100%	Provision of project management services and investment holding
Magnaway Sdn Bhd *	Malaysia	100%	100%	Property management and maintenance
Noble Paradise Sdn Bhd	Malaysia	100%	100%	Property development
Sama Pesona Sdn Bhd	Malaysia	100%	100%	Property development
Damai Klasik Sdn Bhd	Malaysia	100%	100%	Property development
City Version Sdn Bhd	Malaysia	100%	100%	Property development
Gadang Properties Sdn Bhd and its subsidiary	Malaysia	100%	100%	Property investment and development
Buildmark Sdn Bhd *	Malaysia	100%	100%	Property development and investment
Flora Masyhur Sdn Bhd *	Malaysia	100%	100%	Dormant
Splendid Pavilion Sdn Bhd	Malaysia	100%	100%	Property development

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

19. INVESTMENTS IN SUBSIDIARIES (CONTD.)

Name of subsidiaries	Country of incorporation	Equity interest held 2010	2009	Principal activities
Gadang Land Sdn Bhd and its subsidiaries (contd.)				
Natural Domain Sdn Bhd	Malaysia	100%	100%	Property development
Crimson Villa Sdn Bhd *	Malaysia	100%	100%	Dormant
Elegance Sonata Sdn Bhd *	Malaysia	100%	100%	Property development
Hillstrand Development Sdn Bhd *	Malaysia	100%	–	Dormant
Detik Tiara Sdn Bhd *	Malaysia	100%	–	Dormant
Skyline Symphony Sdn Bhd *	Malaysia	100%	–	Dormant
Gadang International (HK) Limited * and its subsidiary	Hong Kong	100%	100%	Dormant
Jiawei Environment International Investment (HK) Limited *	Hong Kong	100%	100%	Dormant
GLP Resources (M) Sdn Bhd * and its subsidiaries	Malaysia	100%	70%	General Trading
GLP Manufacturing (M) Sdn Bhd *	Malaysia	100%	100%	Manufacturing of protective and decorative coatings
GLP Paints (M) Sdn Bhd *	Malaysia	100%	100%	Trading in protective and decorative coatings
Gadang Plantations Holdings Sdn Bhd * and its subsidiaries	Malaysia	100%	–	Investment holding
Desiran Impian Sdn Bhd	Malaysia	100%	100%	Plantation

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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

19. INVESTMENTS IN SUBSIDIARIES (CONTD.)

(a) Acquisition of subsidiaries during the financial year

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

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

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

The acquisition of subsidiaries as disclosed in Note 19(a)(i),(ii) and (iii) do not have any material effect on the financial position and results of the Group.

(b) Acquisition of subsidiaries in the previous financial year

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

(i) On 28 October 2008, the Group via Asian Utilities Pte Ltd ("AUPL") had subscribed for 700 shares of IDR1.0 million each (equivalent to RM256,900) in PT Sarana Catur Tirta Rejeki ("STR").

On the same date, PT Sarana Catur Tirtakelola ("SCTK") had subscribed to 5,600 shares of IDR1.0 million each in STR (equivalent to RM2,055,200), representing 80% equity interest in STR. With the completion of the shares subscription, AUPL has a 10% direct interest and an effective interest of 62% in STR including the 80% interest held by SCTK in STR.

(ii) On 10 February 2009, the Company acquired two (2) ordinary shares of RM1.00 each representing 100% of the issued and paid-up capital of Desiran Impian Sdn Bhd ("Desiran Impian") for a total cash consideration of RM2.00.

(iii) On 11 March 2009, Regional Utilities Sdn Bhd, the wholly-owned subsidiary of the Company, incorporated a 100% subsidiary in Singapore, under the name of Asian Energy Pte Ltd, with a paid-up capital of S$1.00. The intended activity of Asian Energy Pte Ltd shall be investment holding.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

19. INVESTMENTS IN SUBSIDIARIES (CONTD.)

(b) Acquisition of subsidiaries in the previous financial year (contd.)

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

	2009 RM
Revenue	1,198,805
Loss from operations	(98,634)
Loss for the year	(61,274)

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

	2009 Fair value recognised on acquisition RM	2009 Carrying value RM
Property, plant and equipment	1,274,665	1,274,665
Concession assets	–	–
Inventories	–	–
Trade and other receivables	1,136,387	1,136,387
Cash and bank balances	238,466	238,466
Trade and other payables	(376,618)	(376,618)
Bank borrowings	–	–
Deferred tax liabilities	–	–
Fair value of total net assets	2,272,900	2,272,900
Less: Minority interests	(863,702)	
Group's share of net assets	1,409,198	
Goodwill on acquisition (Note 22)	183,582	
Cost of acquisition to:		
Equity holders of the Company	1,592,780	
Minority interests	719,320	
Total cost of acquisition	2,312,100	
Purchase consideration satisfied by cash	2,312,100	
Net cash outflow arising on acquisitions:		
Cash consideration	2,312,100	
Cash and cash equivalents of subsidiaries acquired	(238,466)	
Net cash outflow to the Group	2,073,634	

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2010 (CONT'D)

20. INVESTMENTS IN ASSOCIATES

	Group	
	2010 RM	2009 RM
In Malaysia:		
Unquoted shares, at cost	625,025	625,025
Disposal of shares	(625,000)	–
Share of post–acquisition reserves	(25)	22,433
	–	647,458
Analysed as:		
Share of net assets	–	647,458

During the year, GLP Resources (M) Sdn Bhd has disposed its associate, Norimax Sdn Bhd for RM625,000.

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

Name of associates	Equity interest held 2010	Equity interest held 2009	Principal activities
Maha Abadi Sdn Bhd (Incorporated in Malaysia)	25%	25%	Dormant
Norimax Sdn Bhd (Incorporated in Malaysia)	–	25%	Engineering services, manufacturing and marketing of corrosion control products

The summarised financial information of the associates are as follows:

	2010 RM	2009 RM
Assets and liabilities		
Non-current assets	–	618,996
Current assets	2	9,073,386
Total assets	2	9,692,382
Non-current liabilities	–	2,657,927
Current liabilities	43,576	7,077,099
Total liabilities	43,576	9,735,026
Results		
Revenue	–	14,169,625
Expenses, including finance costs and taxation	(340)	–

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

21. OTHER INVESTMENTS

	Group 2010 RM	Group 2009 RM
Unquoted shares at cost	100,000	100,000
Golf club membership	126,000	126,000
	226,000	226,000

22. GOODWILL ON CONSOLIDATION

	Group 2010 RM	Group 2009 RM
Cost		
At 1 June 2009/2008	17,155,975	16,972,393
Acquisition of a subsidiary	–	183,582
At 31 May	17,155,975	17,155,975
Accumulated amortisation and impairment (Note 7)	(122,662)	–
Net carrying amount	17,033,313	17,155,975

Impairment tests for goodwill

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

	Group 2010 RM	Group 2009 RM
At 31 May		
Property development	12,811,135	12,811,135
Water concession	4,222,178	4,222,178
Trading in protective and decorative coatings	–	122,662
	17,033,313	17,155,975

	Discount rate	Discount rate
At 31 May		
Property development	7.8%	7.3%
Water concession	13.0%–15.0%	15.0%–15.5%
Trading in protective and decorative coatings	7.8%	7.3%

22. GOODWILL ON CONSOLIDATION (CONTD.)

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

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

23. DEFERRED TAXATION

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
At 1 June 2009/2008	5,655,244	6,490,474	8,924	–
Recognised in income statement (Note 10)	(780,512)	(691,561)	3,758	8,924
Exchange difference	(150,363)	(143,669)	–	–
At 31 May	4,724,369	5,655,244	12,682	8,924
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	5,580,391	6,740,453	12,682	8,924
Deferred tax assets	(856,022)	(1,085,209)	–	–
	4,724,369	5,655,244	12,682	8,924

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

Deferred tax liabilities of the Group:

	Land under development RM	Concession assets RM	Property, plant and equipment RM	Total RM
At 1 June 2009	4,257,897	1,995,401	487,155	6,740,453
Recognised in income statement	(1,205,757)	(1,357)	216,984	(990,130)
Exchange difference	–	(169,932)	–	(169,932)
At 31 May 2010	3,052,140	1,824,112	704,139	5,580,391
At 1 June 2008	5,327,353	2,137,547	444,757	7,909,657
Recognised in income statement	(1,069,456)	1,260	42,661	(1,025,535)
Exchange difference	–	(143,406)	(263)	(143,669)
At 31 May 2009	4,257,897	1,995,401	487,155	6,740,453

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

23. DEFERRED TAXATION (CONTD.)

Deferred tax assets of the Group:

	Tax losses and unabsorbed capital allowances RM
At 1 June 2009	(1,085,209)
Recognised in income statement (Note 10)	229,187
At 31 May 2010	(856,022)
At 1 June 2008	(1,419,183)
Recognised in income statement (Note 10)	333,974
At 31 May 2009	(1,085,209)

Deferred tax liabilities of the Company:

	Property, plant and equipment RM
At 1 June 2009	8,924
Recognised in income statement (Note 10)	3,758
At 31 May 2010	12,682
At 1 June 2008	–
Recognised in income statement (Note 10)	8,924
At 31 May 2009	8,924

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

	Group 2010 RM	Group 2009 RM
Unused tax losses	1,553,128	2,526,177
Unabsorbed capital allowances	2,814,420	1,719,294
	4,367,548	4,245,471

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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

24. PROPERTY DEVELOPMENT COSTS

	Group 2010 RM	Group 2009 RM
Cumulative property development costs		
At 1 June 2009/2008:		
Freehold land	58,569,267	58,569,267
Leasehold land	25,855,706	25,855,706
Development costs	228,629,763	202,924,849
	313,054,736	287,349,822
Costs incurred during the year:		
Freehold land	4,410,690	–
Development costs	24,326,329	25,704,914
Reversal of completed projects	(210,277,344)	–
Transfer to inventories	(2,119,670)	–
	129,394,741	313,054,736
Cumulative costs recognised in income statement		
At 1 June 2009/2008	(226,579,725)	(191,906,055)
Recognised during the year	(38,261,806)	(34,673,670)
Reversal of completed projects	210,277,344	–
At 31 May	(54,564,187)	(226,579,725)
Property development costs at 31 May	74,830,554	86,475,011
Analysed as:		
Freehold land	62,979,957	58,569,267
Leasehold land	25,855,706	25,855,706
Development costs	40,559,078	228,629,763
Cumulative costs recognised in income statement	(54,564,187)	(226,579,725)
	74,830,554	86,475,011

(a) The freehold land under development of the Group with a carrying value of RM8,010,077 (2009: RM8,010,077) is pledged to a licensed bank as security for credit facilities granted to certain subsidiaries as referred to in Note 32.

(b) The freehold land under development of the Group with a carrying value of RM42,860,398 (2009: 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 32.

(c) The leasehold land under development of the Group with a carrying value of RM15,658,135 (2009: RM15,658,135) is pledged to licensed banks as security for term loans and credit facilities granted to certain subsidiaries as referred to in Note 32.

(d) Included in property development costs incurred during the financial year are bank guarantee charges capitalised amounting to RM nil (2009: RM65,342).

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

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

	Group	
	2010 RM	**2009 RM**
Construction contract costs incurred to date	1,178,626,574	896,591,145
Attributable profits	60,883,440	38,980,758
	1,239,510,014	935,571,903
Less: Progress billings	(1,175,552,572)	(899,511,678)
Due from customers on contracts-in-progress	63,957,442	36,060,225
Due from customers on completed contracts for which final accounts have not been issued	9,210,115	1,090,436
	73,167,557	37,150,661

	Group	
	2010 RM	**2009 RM**
Due from customers on contracts	73,230,250	37,307,777
Due to customers on contracts	(62,693)	(157,116)
	73,167,557	37,150,661
Advances received on contracts, included within trade payables (Note 35)	4,258,242	16,297
Retention sums on contracts, included within trade receivables (Note 27)	20,503,871	20,286,262
Contract costs recognised as an expense	204,368,991	160,863,643

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

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

	Group	
	2010 RM	**2009 RM**
Depreciation of property, plant and equipment (Note 14)	2,318,149	378,347
Hire of plant and machinery	6,755,243	8,384,106

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2010 (CONT'D)

26. INVENTORIES

	Group	
	2010 RM	2009 RM
At cost:		
Construction materials on site	5,019,643	83,852
Raw materials	122,578	388,185
Oil palm nurseries	131,231	–
Finished goods	215,824	294,963
Properties held for sale	10,018,984	13,745,229
	15,508,260	14,512,229
At net realisable value:		
Finished goods	187,255	–
	15,695,515	14,512,229

27. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade receivables	74,591,627	108,168,187	–	–
Retention sums (Note 25)	20,503,871	20,286,262	–	–
Accrued billings on contracts in respect of property development costs	737,408	1,062,656	–	–
	95,832,906	129,517,105	–	–
Other receivables	3,694,486	3,413,195	55,674	55,608
Prepayments	1,209,685	537,816	90,228	–
Deposits	4,327,904	4,071,427	101,000	101,000
Advances to subcontractors	10,635,137	7,224,613	–	–
Due from an associate	43,551	64,244	–	–
Liquidated ascertained damages receivable from sub-contractor	210,833	–	–	–
	20,121,596	15,311,295	246,902	156,608
Trade and other receivables	115,954,502	144,828,400	246,902	156,608
Less: Provision for doubtful debts	(4,674,266)	(4,407,770)	–	–
	111,280,236	140,420,630	246,902	156,608

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

27. TRADE AND OTHER RECEIVABLES (CONTD.)

(a) Included in trade and other receivables of the Group are amounts which have been outstanding in excess of 12 months amounting to RM44,559,180 (2009: RM52,712,947) for which a provision of RM4,674,266 (2009: RM4,407,770) has been made. In assessing the extent of irrecoverable amounts, the directors have given due consideration to all pertinent information relating to the ability of the debtors to settle the amounts owing. Notwithstanding the overdue nature of these debts, the directors of the Company have assessed the amounts due from debtors less provision for irrecoverable amounts as stated in the financial statements, to be fully recoverable.

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

(c) Included in trade and other receivables of the Group are balances denominated in Indonesian Rupiah amounting to RM2,204,420 (2009: RM3,089,812).

(d) The Group's normal trade credit term ranges from 30 to 90 (2009: 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

(e) The Group has significant concentration of credit risk as approximately 35% (2009: 35%) of the trade receivables as of 31 May 2010 are due from a single debtor.

28. AMOUNTS DUE FROM/TO SUBSIDIARIES

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

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

29. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash on hand and at banks	17,796,731	9,379,335	2,650,913	677,833
Fixed deposits with licensed banks	8,188,796	5,104,956	3,909,166	1,807,678
	25,985,527	14,484,291	6,560,079	2,485,511
Less: Bank overdrafts (Note 32)	(17,237,129)	(12,834,296)	(4,920,878)	(4,237,851)
Cash and cash equivalents	8,748,398	1,649,995	1,639,201	(1,752,340)

(a) Included in cash at banks of the Group are amounts of RM1,301,200 (2009: RM2,240,350) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and therefore are restricted from use in other operations.

29. CASH AND CASH EQUIVALENTS (CONTD.)

(b) Fixed deposits of the Group amounting to RM7,775,198 (2009: RM3,367,715) are pledged to banks for credit facilities granted to a subsidiary.

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

	Group		Company	
	2010 %	2009 %	2010 %	2009 %
Fixed deposits with licensed banks	2.36	3.33	2.00	1.80

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

	Group		Company	
	2010 Days	2009 Days	2010 Days	2009 Days
Fixed deposits with licensed banks	52	52	90	90

(e) Included in cash and bank balances of the Group are balances denominated in Indonesian Rupiah amounting to RM1,153,022 (2009: RM1,763,558).

30. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2010	2009	2010 RM	2009 RM
Authorised:				
At 1 June 2009/2008 and 31 May	200,000,000	200,000,000	200,000,000	200,000,000
Issued and fully paid:				
At 1 June 2009/2008	118,015,791	117,963,037	118,015,791	117,963,037
Issue of ordinary shares pursuant to ICULS	–	52,754	–	52,754
At 31 May	118,015,791	118,015,791	118,015,791	118,015,791

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2010 (CONT'D)

31. RESERVES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Non-distributable				
Capital reserve	1,346,681	1,346,681	–	–
Share premium	8,815,834	8,815,834	8,815,834	8,815,834
Foreign exchange reserve	(1,736,982)	(1,131,544)	–	–
	8,425,533	9,030,971	8,815,834	8,815,834
Distributable				
Retained profits	58,528,096	43,612,427	26,808,565	15,575,216
	66,953,629	52,643,398	35,624,399	24,391,050

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

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

(c) Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 May 2010, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained profits.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

32. BANK BORROWINGS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Short term borrowings				
Secured:				
Bank overdrafts (Note 29)	17,237,129	12,834,296	4,920,878	4,237,851
Bankers acceptances	5,080,247	–	256,000	–
Revolving credits	28,913,687	34,986,837	9,986,837	9,986,837
Trust receipts	5,981,360	12,122,770	58,000	–
Term loans	19,449,964	9,376,574	–	5,242,162
Hire purchase payables	11,777,297	980,359	–	–
	88,439,684	70,300,836	15,221,715	19,466,850
Long term borrowings				
Secured:				
Term loans	23,921,343	15,789,999	–	2,179,507
Hire purchase payables	11,408,324	2,259,260	–	–
	35,329,667	18,049,259	–	2,179,507
Total borrowings				
Bank overdrafts	17,237,129	12,834,296	4,920,878	4,237,851
Bankers acceptances	5,080,247	–	256,000	–
Revolving credits	28,913,687	34,986,837	9,986,837	9,986,837
Trust receipts	5,981,360	12,122,770	58,000	–
Term loans	43,371,307	25,166,573	–	7,421,669
Hire purchase payables	23,185,621	3,239,619	–	–
	123,769,351	88,350,095	15,221,715	21,646,357
Maturity of borrowings (excluding hire purchase payables)				
Within one year	76,662,387	69,320,477	15,221,715	19,466,850
More than one year and less than two years	9,726,067	6,738,843	–	2,179,507
More than two years and less than five years	14,195,276	7,438,747	–	–
Five years or more	–	1,612,409	–	–
	100,583,730	85,110,476	15,221,715	21,646,357

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

32. BANK BORROWINGS (CONTD.)

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

(i) charge over freehold land, leasehold land and buildings of certain subsidiaries as disclosed in Note 14(b) and Note 17;

(ii) charge over freehold land under development of certain subsidiaries as disclosed in Note 24(a) and Note 24(b);

(iii) charge over leasehold land under development of a subsidiary as disclosed in Note 24(c);

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

(v) corporate guarantee by the Company and

(vi) fixed deposits with licensed banks of a subsidiary as disclosed in Note 29(e).

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	%	**%**	**%**	**%**
Bank overdrafts	7.75	7.31	7.30	7.63
Bankers acceptances	4.79	–	4.58	–
Revolving credits	4.88	4.07	4.58	3.99
Trust receipts	7.26	6.55	7.30	6.55
Term loans	8.28	10.11	–	7.15

(c) Included in bank borrowings of the Group are term loans denominated in Indonesian Rupiah amounting to RM7,274,996 (2009: RM9,455,604).

32. BANK BORROWINGS (CONTD.)

(d) Analysis of hire purchase payables

	Group 2010 RM	Group 2009 RM
Minimum lease payments:		
Not later than 1 year	12,709,351	1,103,852
Later than 1 year and not later than 2 years	10,582,143	974,995
Later than 2 years and not later than 5 years	1,882,410	1,663,950
	25,173,904	3,742,797
Less: Future finance charges	(1,988,283)	(503,178)
	23,185,621	3,239,619
Present value of hire purchase liabilities:		
Not later than 1 year	11,777,297	980,359
Later than 1 year and not later than 2 years	9,799,257	861,971
Later than 2 years and not later than 5 years	1,609,067	1,397,289
	23,185,621	3,239,619
Analysed as:		
Due within 12 months	11,777,297	980,359
Due after 12 months	11,408,324	2,259,260
	23,185,621	3,239,619

The hire purchase liabilities bear interest at the balance sheet date at flat rates between 1.98% to 10.73% (2009: 1.98% to 10.50%) per annum.

33. DEFINED BENEFIT OBLIGATIONS

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

	Group 2010 RM	Group 2009 RM
Movement in the net liability in the current year were as follows:		
At 1 June 2009/2008	376,927	228,893
Recognised in income statement (Note 7)	553,466	151,371
Payment	(6,918)	–
Exchange difference	17,492	(3,337)
At 31 May	940,967	376,927

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

33. DEFINED BENEFIT OBLIGATIONS (CONTD.)

	Group	
	2010	**2009**
	%	**%**
Principal actuarial assumptions used:		
Discount rate	11	11
Average salary increase	9	9

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

34. PROVISIONS

	Group	
	2010	**2009**
	RM	**RM**
Provision for liquidated ascertained damages		
At 1 June 2009/2008	–	–
Provision	478,881	–
At 31 May	478,881	–

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

35. TRADE AND OTHER PAYABLES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Trade payables (a)	68,836,892	63,256,820	–	–
Accrued subcontractor work	38,584,491	32,858,990	–	–
Advances from contract customers (Note 25)	4,258,242	16,297	–	–
Other payables	1,710,085	668,403	23,664	48,345
Other accruals	3,905,853	2,285,470	185,866	149,114
Deposits received	3,559,490	1,651,536	–	–
Advances from a director (b)	2,733,599	2,392,011	–	–
	123,588,652	103,129,527	209,530	197,459

35. TRADE AND OTHER PAYABLES (CONTD.)

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

	Group 2010 RM	Group 2009 RM
(i) Parties related to Tan Sri Dato' Kok Onn:		
- Kok Khim Boon (brother)	867,756	446,540
- Kok Kiw (brother) and KNL Jaya Construction Sdn Bhd (company connected to Kok Kiw)	72,865	72,865
- Kok Thiam Fook (relative)	160,851	238,030
- Magnibiz Sdn Bhd (brother-in-law is a shareholder in the company)	144,690	224,483
- TFK Enterprise Sdn Bhd (company connected to Kok Thiam Fook)	1,574,032	17,414
	2,820,194	999,332

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

(c) The normal trade credit terms granted to the Group range from 30 to 90 (2009: 30 to 90) days.

(d) Included in trade and other payables of the Group are balances denominated in Indonesian Rupiah amounting to RM1,105,761 (2009: RM1,340,720).

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group 2010 RM	Group 2009 RM
Company		
Subsidiaries:		
Gross dividends income	15,400,000	1,000,000
Management fees income	4,100,000	3,816,000
Rental expense - land and buildings	134,676	134,676

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

	2010 RM	2009 RM
Group		
Subcontractor work payable to related parties:		
- Kok Khim Boon (a)	3,699,842	1,890,366
- Kok Thiam Fook (b)	–	92,201
- TFK Enterprise Sdn Bhd (c)	157,158	228,104

(a) Brother of Tan Sri Dato' Kok Onn
(b) Relative of Tan Sri Dato' Kok Onn
(c) Company connected to Kok Thiam Fook

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

The key management personnel compensations are as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Directors (Note 9):				
Salaries and bonus	2,219,774	1,965,169	377,703	564,078
Fees	126,000	74,000	126,000	74,000
Defined contribution plan	142,878	164,176	17,695	41,798
Other benefits	49,300	41,800	3,063	–
	2,537,952	2,245,145	524,461	679,876
Senior management:				
Salaries and bonus	782,923	926,733	48,217	–
Defined contribution plan	91,803	90,180	5,787	–
	874,726	1,016,913	54,004	–
Total key management personnel compensations	3,412,678	3,262,058	578,465	679,876

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

37. CONTINGENT LIABILITIES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Corporate guarantees issued by the Group and by the Company to:				
(a) financial institutions for banking and hire purchase facilities granted to subsidiaries	–	–	169,744,370	142,776,738
(b) financial institutions for bank guarantees granted on behalf of third parties in the ordinary course of business	58,618,018	44,121,331	1,051,465	1,051,465
(c) granted to third parties on behalf of subsidiaries	14,865,359	–	14,865,359	–
(d) suppliers of certain subsidiaries	54,870,000	46,700,000	54,870,000	46,700,000
(e) tenderor as tender bonds	–	490,000	–	–
Bank guarantees issued to:				
(a) Director General of Immigration Malaysia	21,250	37,000	–	–
	128,374,627	91,348,331	240,531,194	190,528,203

38. 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.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

38. SEGMENT INFORMATION (CONTD.)

(b) Business segments

The Group comprises the following main business segments:

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

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

(iii) Manufacturing and trading in protective and decorative coatings – manufacturing and trading of decorative paints and corrosion protective coatings for the construction, industrial, oil & gas, marine, energy and infrastructure facilities.

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

(v) Plantation - oil palm cultivation.

(c) Geographical segments

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

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

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

38. SEGMENT INFORMATION (CONTD.)

(d) Business Segments

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

31 May 2010	Earthwork, building and civil engineering and construction works RM	Property investment and development RM	Manufacturing and trading in protective and decorative coatings RM	Water concession RM	Investment holding RM	Plantation RM	Elimination RM	Consolidated RM
Revenue								
External sales	201,264,327	55,613,684	79,021	13,497,375	–	–	–	270,454,407
Inter-segment sales	147,184,147	4,101,590	4,758	887,000	19,500,000	–	(171,677,495)	–
Total revenue	348,448,474	59,715,274	83,779	14,384,375	19,500,000	–	(171,677,495)	270,454,407
Result								
Segment results	9,204,525	8,682,489	(557,170)	708,873	16,472,168	(442,921)	(11,171,787)	22,896,177
Finance costs								(3,761,076)
Share of results of associates	–	–	(22,458)	–	–	–		(22,458)
Profit before tax								19,112,643
Income tax expense								(5,225,149)
Profit for the year								13,887,494
Attributable to:								
Equity holders of the Company								14,915,669
Minority interests								(1,028,175)
								13,887,494
Segment assets	348,758,933	217,184,268	20,028,479	65,373,544	194,284,162	3,109,109	(403,851,428)	444,887,067
Unallocated assets								856,022
Total assets								445,743,089
Segment liabilities	303,483,123	139,283,397	23,690,747	55,847,115	40,657,218	3,320,470	(315,337,960)	250,944,110
Unallocated liabilities								5,580,391
Total liabilities								256,524,501
Other Information								
Depreciation and amortisation	4,012,403	213,476	231,106	2,291,961	9,725	–	271	6,758,942
Capital expenditure	52,949,546	263,832	–	1,408,245	24,161	496,364	–	55,142,148
Other significant non-cash expenses:								
- Provisions	163,349	–	422,901	–	–	–		586,250

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

38. SEGMENT INFORMATION (CONTD.)

(d) Business Segments (contd.)

31 May 2009	Earthwork, building and civil engineering and construction works RM	Property investment and development RM	Manufacturing and trading in protective and decorative coatings RM	Water concession RM	Investment holding RM	Elimination RM	Consolidated RM
Revenue							
External sales	177,562,025	54,821,519	2,933,542	11,375,681	–	–	246,692,767
Inter-segment sales	178,739,210	3,528,763	332,421	620,000	4,816,000	(188,036,394)	–
Total revenue	356,301,235	58,350,282	3,265,963	11,995,681	4,816,000	(188,036,394)	246,692,767
Result							
Segment results	5,594,655	10,862,681	(478,689)	2,469,310	1,851,035	(5,050,363)	15,248,629
Finance costs							(5,571,161)
Share of results of associates	–	–	16,678	–	–	–	16,678
Profit before tax							9,694,146
Income tax expense							(6,149,065)
Profit for the year							3,545,081
Attributable to:							
Equity holders of the Company							3,030,080
Minority interests							515,001
							3,545,081
Segment assets	230,401,134	207,565,252	20,957,843	65,558,616	177,442,503	(326,010,434)	375,914,914
Investments in associates	–	–	647,458	–	–	–	647,458
Unallocated assets							1,085,209
Total assets							377,647,581
Segment liabilities	185,636,241	126,925,183	24,551,462	54,471,289	35,040,962	(231,589,235)	195,035,902
Unallocated liabilities							6,740,453
Total liabilities							201,776,355
Other Information							
Depreciation and amortisation	2,110,033	186,175	240,359	1,537,040	8,286	–	4,081,893
Capital expenditure	4,925,877	167,256	5,831	4,192,545	6,643	–	9,298,152
Other significant non-cash expenses:							
- Provisions	1,644,321	–	–	–	–	–	1,644,321

38. SEGMENT INFORMATION (CONTD.)

(b) Geographical Segments

	Total revenue from external customers RM	Segment assets RM	Capital expenditure RM
31 May 2010			
Malaysia	256,957,032	392,046,753	53,733,903
Indonesia	13,497,375	26,935,258	1,408,245
Singapore	–	25,905,056	–
	270,454,407	444,887,067	55,142,148
31 May 2009			
Malaysia	235,317,085	325,323,845	5,107,987
Indonesia	11,375,682	45,872,469	4,190,165
Singapore	–	4,718,600	–
	246,692,767	375,914,914	9,298,152

39. COMMITMENTS

	Group 2010 RM	2009 RM
Approved and contracted for:		
Oil palm plantations development	–	4,800,000
Expansion of plant	–	1,350,000
Purchase of land for property development	29,700,000	–
Capital expenditure for engineering and construction division	12,000,000	–
Approved but not contracted for:		
Oil palm plantations development	20,000,000	–

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

40. SIGNIFICANT EVENTS

In addition to the significant events disclosed in Note 19(a) and Note 32, other significant events during the financial year are as follows:

(a) Gadang Engineering (M) Sdn Bhd ("GESB") had on 2 October 2009 executed eight (8) agreements with various parties to acquire seven (7) parcels of leasehold vacant bungalow land located in Pekan Baru Sungai Besi, District of Petaling and State of Selangor measuring approximately 74,804 square feet for a purchase consideration of RM11,220,600 to be satisfied by setting off the same amount against part of the debt due and owing by Bluwater Developments Berhad (formerly known as Mines Resort Berhad) to GESB.

(b) GESB together with Bukit Jerneh Quarry Sdn Bhd, an unincorporated joint venture in the proposition of 70:30 respectively, have been awarded on 12 January 2010 by Malaysia Airports Holdings Berhad a RM291,180,764.38 contract to build the runway and taxiways for the new Low Cost Carrier Terminal and Associated Works at KL International Airport, Sepang, Selangor.

(c) Natural Domain Sdn Bhd ("NDSB"), an indirect wholly-owned subsidiary of Gadang, has on 27 January 2010 entered into a Sale and Purchase Agreement ("SPA") with GSS Properties Sdn Bhd ("the Vendor") to acquire a parcel of residential land located off Sungai Besi Highway in Sungai Besi, Kuala Lumpur for a purchase consideration of RM33,000,000.

(d) Gadang Holdings Berhad ("Gadang") had on 5 April 2010 acquired 1,590,000 ordinary shares of RM1.00 each, representing the remaining 30% of the equity in GLP Resources (M) Sdn Bhd ("GLPR") from the minority shareholder, Premierex Sdn Bhd for a nominal cash consideration of RM1.00 ("the Acquisition"), thereby resulting in GLPR becoming a 100% owned subsidiary of GHB. Following the Acquisition, the principal activity of GLPR was changed from trading in protective and decorative coatings to general trading.

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

    On 30 April 2010, Detik Tiara entered into a joint venture agreement ("JVA") with Abdul Hamid Bin Mohamed, Nik Hamdan Bin Nik Yusoff and Yusoff Bin Yaa'cob (collectively referred to as "the Landowners") for the proposed property development of landed properties in Sungei Penchala Daerah Kuala Lumpur.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

41. SUBSEQUENT EVENTS

(a) The corporate proposals announced on 10 February 2010 which were pending completion as at the date of the audited financial statements are as follows

(i) Renounceable two-call rights issue of up to 78,677,194 new ordinary shares of RM1.00 each ("Shares") in Gadang ("Rights Shares") at an indicative issue price of RM1.00 per Rights Share on the basis of two (2) Rights Shares for every three (3) Existing Shares in Gadang ("Gadang Shares") together with up to 19,669,299 free detachable warrants ("Warrants") on the basis of one (1) Warrant for every four (4) Rights Shares held in Gadang at an issue price of RM1.00 per Rights Share, of which the first call of RM0.65 is payable in cash on application and the second call of RM0.35 is to be capitalised from Gadang's share premium account and retained profits accounts ("Rights Issue");

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

(iii) Amendments to the Memorandum and Articles of Association of Gadang ("M&A Amendments"); and

(iv) Exemption pursuant to Practice Note 2.9.1 of the Malaysian Code on Take-Overs and Mergers, 1998 to Tan Sri Dato' Kok Onn ("Tan Sri") and persons acting in concert with him ("PACs") from the obligation to extend a mandatory take-over offer for all the remaining Gadang Shares not already owned by Tan Sri and PACs upon the completion of the Rights Issue ("MO Exemption").

(collectively referred to as "the Proposals")

The approvals required for the Proposals are as follows:

(i) Bursa Malaysia Securities Berhad ("Bursa Securities") for the admission of the Warrants to the Official List of Bursa Securities and the approval-in-principle for the listing of and quotation for the Rights Shares and Warrants to be issued under the Rights Issue and new Shares to be issued upon the exercise of the Warrants on Bursa Securities, which were obtained on 16 July 2010;

(ii) Bank Negara Malaysia for the issue of up to 19,669,299 Warrants to non-resident subscribing shareholders of Gadang pursuant to the Rights Issue, and any additional Warrants to be issued as a consequence of the adjustments which may be made from time to time pursuant to the provisions of the deed poll constituting the Warrants, which were obtained on 31 May 2010;

(iii) the Securities Commission ("SC") for the MO Exemption, which was obtained on 17 August 2010; and

(iv) the shareholders of Gadang for the Proposals, which were obtained on 12 August 2010 at the Company's extraordinary general meeting.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

41. SUBSEQUENT EVENTS (CONTD.)

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

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

The primary business of CASB shall be to develop the said Land into a mixed development consisting of commercial and residential units with the Landowner via the JV Agreement.

On 21 September 2010, FMSB has entered into a Supplemental Agreement to the Share Sale Agreement dated 11 August 2009.

Pursuant to the Supplemental Agreement, the parties mutually agreed to modify, amend and/or vary the terms of the Share Sale Agreement dated 11 August 2009 to incorporate the following:

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

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

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

42. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

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

(b) Interest rate risk

The Group's primary interest rate risk relates to bank borrowings as the Group had no substantial long term interest-bearing assets as at 31 May 2010. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits which yield better returns than cash at bank.

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

(c) Liquidity risk

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

(d) Credit risk

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

(e) Foreign exchange risk

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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

42. FINANCIAL INSTRUMENTS (CONTD.)

(e) Foreign exchange risk (contd.)

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

Functional Currency of Group Companies	Net Financial Assets/(Liabilities) Held in Non-Functional Currencies				
	Ringgit Malaysia RM	Singapore Dollar RM	Indonesian Rupiah RM	US Dollars RM	Total RM
At 31 May 2010					
Ringgit Malaysia	–	6,247,029	–	–	6,247,029
Singapore Dollar	(18,681,995)	–	3,128,414	–	(15,553,581)
Indonesian Rupiah	–	(3,128,414)	–	–	(3,128,414)
	(18,681,995)	3,118,615	3,128,414	–	(12,434,966)
At 31 May 2009					
Ringgit Malaysia	–	5,227,249	–	–	5,227,249
Singapore Dollar	(16,540,240)	–	21,835,214	(620)	5,294,354
Indonesian Rupiah	–	(21,835,214)	–	–	(21,835,214)
	(16,540,240)	(16,607,965)	21,835,214	(620)	(11,313,611)

(f) Fair values

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

	Group		Company	
	Carrying Amount RM	**Fair Value RM**	**Carrying Amount RM**	**Fair Value RM**
At 31 May 2010				
Other investments - unquoted	226,000	*	–	–
Amounts due from subsidiaries	–	–	101,348,808	#
Hire purchase payables	23,185,621	25,064,905	–	–
Advances from directors	2,733,599	#	–	–
Term loans	23,921,343	@	–	@
Amounts due to subsidiaries	–	–	25,200,042	#

42. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair values (contd.)

	Group		Company	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
At 31 May 2009				
Other investments				
- unquoted	226,000	*	–	–
Amounts due from subsidiaries	–	–	88,428,218	#
Hire purchase payables	2,259,260	2,141,479	–	–
Advances from directors	2,392,011	#	–	–
Term loans	15,789,999	@	2,179,507	@
Amounts due to subsidiaries	–	–	13,177,951	#

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

\# The carrying amount of intercompanies balances and advances from directors are repayable on demand and therefore approximate fair value.

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2010 (CONT'D)

43. MATERIAL LITIGATION

(i) Kuala Lumpur High Court Suit No. S3-22-240-2000

Parties:

L'Grande Development Sdn. Bhd. ("L'Grande") vs Bukit Cerakah Development Sdn. Bhd. ("BCD") ("Original Action")

BCD vs L'Grande and Gadang Engineering (M) Sdn Bhd ("GESB") ("Action By Counterclaim")

GESB vs BCD and Pembinaan Era Dinamik Sdn. Bhd. ("PED") ("Counterclaim Within Counterclaim")

Nature: L'Grande has commenced a suit against BCD on 11 April 2000 for the recovery of the sum due and owing to L'Grande arising from a building contract in respect of a particular project. BCD sought a counterclaim against L'Grande. In BCD's defense and counter claim, BCD has made various allegations of defective works done by L'Grande, which included imputing blame on the part of GESB, being the sub-contractor involved in carrying out the earthworks for the said project. GESB applied to Court for an order to be added as a defendant to the counterclaim to be given the right to properly refute the serious allegations made against GESB ("said application"). The said application was granted on 10 June 2002. GESB then sought a counterclaim against BCD and PED on the basis of nonpayment of sums due and owing to GESB. GESB has sought to enter summary judgment against PED for the outstanding sum. The court has dismissed GESB's application against PED on 22 January 2003. GESB has since lodged an appeal on 28 January 2003. GESB's appeal to the Judge in Chambers against that decision was dismissed on 21 June 2004. GESB has since filed its appeal to the Court of Appeal on 23 June 2004, which was called up for hearing on 14 July 2008. After hearing submissions, the Court of Appeal dismissed GESB's appeal. The Court of Appeal was of the view that this case was not suitable for disposal by a summary application.

Claim: GESB's claim against PED is for a sum of RM4,746,519.35 whereas the claim against BCD is essentially for a declaration that it is liable for the debts of PED.

Merits: The solicitors for this matter are of the opinion that notwithstanding the court's refusal of the application for summary judgement, GESB has a reasonable chance of success at trial in its claim against PED given that the structural damage was caused substantially if not entirely by the defective pilings, according to the case by BCD.

Status: When the matter was called up on 29 June 2009 before the Deputy Registrar for case management, the Official Receiver informed the court that L'Grande has been wound up and that they were currently in discussions with L'Grande on the way forward in respect of this action. Accordingly, the Official Receiver requested that the matter be put on hold pending the outcome of their discussions with L'Grande.

GESB's solicitors informed the court that as L'Grande was not involved in the Counterclaim Within Counterclaim, GESB's action against BCD and PED could be proceeded with.

The above matter is fixed for mediation / case management on 27 October 2010.

43. MATERIAL LITIGATION (CONTD.)

(ii) Kuala Lumpur High Court Suit No. S-22-615-2009

Parties:

GESB vs Bluwater Developments Berhad ("Bluwater")

Nature: GESB filed a claim against Bluwater on 25 August 2009 for the amount of RM33,900,543.57 in relation to the works done by GESB for Bluwater with respect to the Mines Heritage Project (Package A and B). The cause papers were served on Bluwater as the defendant in this matter on 16 October 2009. GESB applied for a Mareva injunction against Bluwater and was granted an ex-parte Mareva injunction on 16 October 2009. Bluwater applied for discharge of the injunction order which was allowed on 30 October 2009. GESB appealed to the Court of Appeal against the discharge order and the appeal is pending.

On 4 November 2009, Bluwater applied for a stay pending arbitration. GESB applied for summary judgment on 6 November 2009. The court had, on 10 March 2010, allowed Bluwater's application for stay pending arbitration on condition that the arbitration must be completed within one (1) year, failing which, GESB will be at liberty to proceed with the application for summary judgment. The requests for arbitration have been served on 23 March 2010.

Claim: GESB filed a claim against Bluwater for the amount of RM33,900,543.57 in relation to the works done by GESB for Bluwater with respect to the Mines Heritage Project (Package A and B).

Merits: The solicitors acting for GESB are of the opinion that the probable outcome of the arbitration proceedings will be in GESB's favour.

Status: By a letter dated 11 May 2010, the President of Persatuan Arkitek Malaysia informed both parties the name and particulars of the appointed arbitrator. By a letter dated 18 May 2010, the Learned Arbitrator requested that both parties attend a preliminary meeting in early June 2010 before the commencement of the arbitration proceedings. At the preliminary meeting held on 3 June 2010, the Learned Arbitrator provided directions for parties to comply in this arbitration proceeding. Pursuant to the Learned Arbitrator's directions, GESB filed its points of claim on 18 June 2010. Bluwater is to reply with its points of defense and counterclaim on 6 August 2010. The next tentative dates for the hearings will be in October 2010 and November 2010 respectively.

LIST OF PROPERTIES
AS AT 31 MAY 2010

Title/Location	Description /Existing use	Tenure	Acquisition Date (Revaluation Date)	Approximate Land Area/ (Built-up Area) in sq. ft	Approximate Age of Building	Net Book Value RM
Wisma Gadang No. 52 Jalan Tago 2 Off Jalan Persiaran Utama Sri Damansara 52200 Kuala Lumpur	6 ½ storey office block for own use	Freehold	(June 1997)	42,619 (45,043)	13 years	7,650,716
Plot No. 86 CD Emville Golf Resort Mukim Setul District of Seremban Negeri Sembilan	Vacant bungalow lot for investment	Leasehold ending 13/12/2082	(June 1997)	8,000	N/A	136,320
C.T. No. 12831 for Lot No. 1885 C.T. No. 12382 for Lot No. 1886 And C.T. No. 9041 for Lot No. 1888 Mukim of Rawang District of Ulu Selangor	Vacant industrial land for development	Freehold	20/12/1994	2,361,000	N/A	8,010,077
Bandar Tasik Semenyih PT 8298 HS(M) 4984	Vacant bungalow lot for sale	Leasehold ending 5/11/2094	23/12/1999	11,125	N/A	249,725
Lot 183 to 186 Mukim of Rawang District of Gombak State of Selangor	Industrial land for sale	Freehold	2/8/2001	198,712	N/A	3,974,240
Geran No. 49848, Lot No. 1132 Daerah Johor Baru, Bandar Johor Baru Negeri Johor Darul Taksim	Mixed industrial and commercial development	Freehold	31/7/2003	1,166,808	N/A	25,565,036
HS(D) 179584 PT 283 HS(D) 179585 PT 284 Taman Perindustrian Puchong Seksyen 5 Mukim of Petaling Selangor	2 units of 1½ storey semi-detached factory	Leasehold ending 2101	July 2004	30,494	12 years	2,064,387

LIST OF PROPERTIES
AS AT 31 MAY 2010

Title/Location	Description /Existing use	Tenure	Acquisition Date (Revaluation Date)	Approximate Land Area/ (Built-up Area) in sq. ft	Approximate Age of Building	Net Book Value RM
168 lots of factory land held under HS(D) 41477 to 41506, PT No. 24239 to 24268; HS(D) 41509 to 41568, PT No. 24271 to 24330; HS(D) 42189 to 42203, PT No. 24952 to 24966; HS(D) 42205 to 42212, PT No. 24968 to 24975; HS(D) 42312 to 42366, PT No. 24976 to 25030 Mukim of Rawang, District of Gombak, State of Selangor	Land for development (residential)	Freehold	31/10/2005	476,388	N/A	7,622,208
GM78 – Lot 471 and GM77 – Lot 472 Mukim 17, Batu Ferringgi Daerah Timur Laut, Penang	Land for Development (residential)	Freehold	17/04/2007	3.9075 hectares	N/A	9,673,151
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. 1021; Plot No. 203 held under HS(D) 252127 PT No. 1022 Pekan Baru Sungai Besi, District of Petaling, Selangor Darul Ehsan.	Vacant Bungalow lot for sale/ development	Leasehold ending 1/12/2107	31/01/2010	74,804	N/A	11,220,600

ANALYSIS OF SHAREHOLDINGS & WARRANTHOLDINGS

I. ANALYSIS OF SHAREHOLDINGS AS AT 4 OCTOBER 2010

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	10	0.21	479	0.00
100 - 1,000	936	19.98	907,674	0.46
1,001 - 10,000	2,345	50.04	12,139,885	6.17
10,001 - 100,000	1,209	25.80	38,678,133	19.67
100,001 - 9,834,559	184	3.93	85,484,220	43.46
9,834,560* and above	2	0.04	59,480,827	30.24
Total	4,686	100.00	196,691,218	100.00

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

REGISTER OF SUBSTANTIAL SHAREHOLDERS

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

Notes

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

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

ANALYSIS OF SHAREHOLDINGS & WARRANTHOLDINGS

THIRTY LARGEST SHAREHOLDERS

		No. of Shares	%
1.	OSK Nominees (Tempatan) Sdn Berhad *Pledged securities account for Meloria Sdn Bhd*	29,763,666	15.13
2.	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged securities for Sumber Raswira Sdn Bhd*	29,717,161	15.11
3.	HSBC Nominees (Asing) Sdn Bhd *Exempt An for BNP Paribas Securities Services*	7,556,166	3.84
4.	EB Nominees (Tempatan) Sendirian Berhad *Pledged securities account for Kok Onn*	6,116,666	3.11
5.	Chia Ting Poh @ Cheah Ting Poh	5,000,000	2.54
6.	Mercsec Nominees (Tempatan) Sdn Bhd *Pledged securities account for Siow Wong Yen @ Siow Kwang Hwa*	2,879,300	1.46
7.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Chung Mui Nyok*	2,590,000	1.32
8.	HLG Nominee (Asing) Sdn Bhd *Exempt An for UOB Kay Hian Pte Ltd*	2,500,000	1.27
9.	Mayban Nominees (Tempatan) Sdn Bhd *Pledged securities account for Yeoh Ah Tu*	2,067,000	1.05
10.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Ting Keaw @ Law Lee See*	2,000,000	1.02
11.	Ter Leong Hing	1,883,000	0.96
12.	Citigroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lee Yoke Koon*	1,677,800	0.85
13.	EB Nominees (Tempatan) Sendirian Berhad *Pledged securities account for Ting Keaw @ Law Lee See*	1,508,000	0.77
14.	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged securities account for Chan Weng Kong*	1,365,200	0.69

ANALYSIS OF SHAREHOLDINGS & WARRANTHOLDINGS

THIRTY LARGEST SHAREHOLDERS (contd.)

	No. of Shares	%
15. Chong Ching Yee	1,280,000	0.65
16. Chong Guan Seng	1,100,000	0.56
17. Mayban Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ravindra A/L Panchalingam*	1,100,000	0.56
18. Go Suu Ken	1,085,900	0.55
19. Wu Chung Ta	1,072,000	0.54
20. Tan Poh Eng @ Tan Poh Ang	1,004,233	0.51
21. Law Wan Cheen	1,000,000	0.51
22. Loo Chuen Far	1,000,000	0.51
23. Yeoh Ah Tu	958,000	0.49
24. Wong Lee Peng	900,000	0.46
25. Kok Yoon Hing	830,000	0.42
26. Tan Yu Wei	800,000	0.41
27. Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Ng Wai Yuan*	702,000	0.36
28. Law Chee Kheong	700,000	0.36
29. Mayban Nominees (Tempatan) Sdn Bhd *Pledged securities account for Eng Kim Leng*	672,000	0.34
30. Ting Keaw @ Law Lee See	655,000	0.33
	111,483,092	56.68

ANALYSIS OF SHAREHOLDINGS & WARRANTHOLDINGS

II. ANALYSIS OF WARRANTHOLDINGS AS AT 4 OCTOBER 2010

Warrants 2010/2015 : 19,668,739 outstanding

DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings	Number of Warrantholders	%	Number of Warrants	%
Less than 99	2	0.12	108	0.00
100 - 1,000	614	38.38	394,914	2.01
1,001 - 10,000	794	49.62	2,880,621	14.65
10,001 - 100,000	166	10.38	4,709,700	23.94
100,001 - 983,435	22	1.38	5,539,465	28.16
983,436* and above	2	0.12	6,143,931	31.24
Total	1,600	100.00	19,668,739	100.00

* denotes 5% of the issued warrants.

THIRTY LARGEST WARRANTHOLDERS

		Number of Warrants	%
1.	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged securities account for Sumber Raswira Sdn Bhd*	*3,167,565*	*16.10*
2.	OSK Nominees (Tempatan) Sdn Berhad *Pledged securities account for Meloria Sdn Bhd*	2,976,366	15.13
3.	HSBC Nominees (Asing) Sdn Bhd *Exempt An for BNP Paribas Securities Services*	755,616	3.84
4.	EB Nominees (Tempatan) Sendirian Berhad *Pledged securities account for Kok Onn*	611,666	3.11
5.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Chung Mui Nyok*	559,000	2.84
6.	Chong Ching Yee	280,000	1.42

ANALYSIS OF SHAREHOLDINGS & WARRANTHOLDINGS

THIRTY LARGEST WARRANTHOLDERS (CONTD.)

		Number of Warrants	%
7.	Mayban Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ravindra A/L Panchalingam*	275,000	1.40
8.	Mayban Nominees (Tempatan) Sdn Bhd *Pledged securities account for Yeoh Ah Tu*	266,750	1.36
9.	Mercsec Nominees (Tempatan) Sdn Bhd *Pledged securities account for Siow Wong Yen @ Siow Kwang Hwa*	255,000	1.30
10.	Go Suu Ken	250,000	1.27
11.	Wong Lee Peng	225,000	1.14
12.	Tan Poh Eng @ Tan Poh Ang	201,683	1.02
13.	Tan Yu Wei	200,000	1.02
14.	Ter Leong Hing	192,250	0.98
15.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Ng Wai Yuan*	175,500	0.89
16.	Law Chee Kheong	175,000	0.89
17.	Toh Ean Hai	175,000	0.89
18.	Citigroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lee Yoke Koon*	168,000	0.85
19.	Mayban Nominees (Tempatan) Sdn Bhd *Pledged securities account for Eng Kim Leng*	168,000	0.85
20.	Kok Yoon Hing	145,000	0.74
21.	Kuppusamy A/L Arimuthu	125,000	0.64
22.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Tay Soon Hwa*	125,000	0.64

ANALYSIS OF SHAREHOLDINGS & WARRANTHOLDINGS

THIRTY LARGEST WARRANTHOLDERS (CONTD.)

		Number of Warrants	%
23.	Chong Guan Seng	110,000	0.56
24.	Eu Mui @ Ee Soo Mei	101,000	0.51
25.	Chong Kay Lin	100,000	0.51
26.	Ho Chu Chai	100,000	0.51
27.	Mary Tan @ Tan Hui Ngoh	91,000	0.46
28.	Boey Tak Kong	88,500	0.45
29.	Choo Soon Teck	75,000	0.38
30.	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lim Beng Hian*	75,000	0.38

III. DIRECTORS' SHAREHOLDINGS & WARRANTHOLDINGS AS AT 4 OCTOBER 2010

THE COMPANY	Number of Ordinary Shares of RM1.00 each			
	Direct Interest	%	Deemed interest	%
Tan Sri Dato' Kok Onn	6,116,666	3.11	59,480,827[a]	30.24
Boey Tak Kong	555,000	0.28	–	–

	Number of Warrants			
	Direct Interest	%	Deemed interest	%
Tan Sri Dato' Kok Onn	611,666	3.11	5,843,931[a]	29.71
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 4 October 2010.

NOTICE OF 17TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting (AGM) of Gadang Holdings Berhad (the Company) will be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 23rd November 2010 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 2010 together with the Reports of the Directors and Auditors thereon. **(Ordinary Resolution 1)**

2. To approve the payment of Directors' fees amounting to RM126,000.00 in respect of the financial year ended 31 May 2010 (FY2009: RM74,000). **(Ordinary Resolution 2)**

3. 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 3)**

4. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to determine their remuneration. **(Ordinary Resolution 4)**

AS SPECIAL BUSINESS

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

5. **Authority to Directors to issue shares**

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorized to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum of the issued and paid-up share capital of the Company for the time being, subject always to the approvals of the relevant regulatory authorities." **(Ordinary Resolution 5)**

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

   "THAT, subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and/or its subsidiaries ("Gadang Group") to enter into recurrent related party transactions of a revenue or trading nature and for the provision of financial assistance as set out in Section 2.4 of the Circular to Shareholders dated 1 November 2010 ("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;

NOTICE OF 17TH ANNUAL GENERAL MEETING

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

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

whichever is the earlier;

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

(Ordinary Resolution 6)

7. **Proposed Amendment to the Articles of Association of the Company**

“That the existing Article 132 of the Articles of Association of the Company be deleted in its entirety and be substituted with the following new Article 132:-

Existing Article 132

Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post to the last registered address of the Member or person entitled thereto, to any one of such persons or to such person and such address as such person or persons may by writing direct. Every such cheque or warrant shall be payable to the order of the person to whom it is sent or to such person as the holder, or person entitled to the share in consequence of the death or bankruptcy of the holder may direct. Payment of the cheque shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

New Article 132

Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post to the last registered address of the Member or person entitled thereto, to any one of such persons or to such person and such address as such person or persons may by writing direct **or paid via electronic or other methods of funds transfer or remittance to such account as designated by such Member or the person entitled to such payment or if several persons are entitled thereto in consequence of the death or bankruptcy of the Member, to any one such persons or to such person and to such address as such persons may by writing direct, subject to the Rules.** Every such cheque or warrant **or electronic transfer or remittance** shall be payable to the order of the person to whom it is sent or to such person as the holder, or person entitled to the share in consequence of the death or bankruptcy of the holder may direct. Payment of the cheque **or warrant or electronic transfer or remittance shall operate as** a good discharge to the Company **in respect of the dividend represented thereby.** Every such cheque or warrant **or electronic transfer or remittance** shall be sent at the risk of the person entitled to the money **thereby** represented.

(Special Resolution)

BY ORDER OF THE BOARD

TAN SEOK CHUNG, SALLY
Secretary

Kuala Lumpur
1 November 2010

NOTICE OF 17TH ANNUAL GENERAL MEETING

NOTES:

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

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

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

EXPLANATORY NOTES ON SPECIAL BUSINESS

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

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

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the last Annual General Meeting held on 19 November 2009 and which will lapse at the conclusion of the Seventeenth Annual General Meeting.

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

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

Details relating to Ordinary Resolution 6 are set out in the Circular to Shareholders dated 1 November 2010, which is despatched together with this Annual Report 2010.

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

The proposed Special Resolution, if passed, will allow the Company to provide for payment of any dividend, interest or other money payable by the Company to its shareholders by way of electronic payment such as telegraphic transfer or electronic transfer or remittance. Further information on the Proposed Amendment to the Articles of Association of the Company is set out in the Circular to Shareholders dated 1 November 2010, which is despatched together with the Company's Annual Report 2010.

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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)

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

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

of ____
(FULL ADDRESS)

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

of ____
(FULL ADDRESS)

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the Seventeenth Annual General Meeting of the Company to be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 23 November 2010 at 10.00 a.m., and at any adjournment thereof.

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

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

** Strike out whichever not applicable*

Dated this ____________ day of ______________ 2010

____
Signature/Common Seal of Member

Notes:

1. A member of the Company entitled to attend and vote at this meeting, is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
2. The Articles provide that a member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
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Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
GADANG HOLDINGS BERHAD (278114-K)
Wisma Gadang, No. 52 Jalan Tago 2
Off Jalan Persiaran Utama
Sri Damansara
52200 Kuala Lumpur

1st fold here

GADANG HOLDINGS BERHAD (278114-K)
Wisma Gadang, No. 52 Jalan Tago 2
Off Jalan Persiaran Utama
Sri Damansara, 52200 Kuala Lumpur
Tel : 603 - 6275 6888
Fax : 603 - 6275 2136
E-mail : corporate@gadang.com.my

www.gadang.com.my