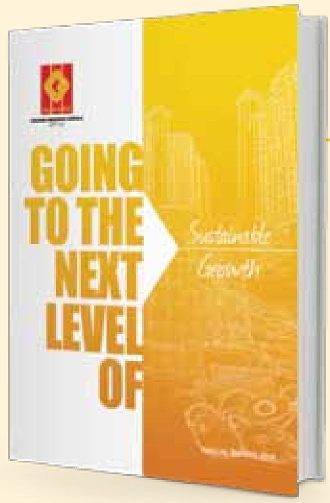
GADANG HOLDINGS BERHAD
(278114-K)

GOING TO THE NEXT LEVEL OF

Sustainable Growth

ANNUAL REPORT 2016



GOING TO THE NEXT LEVEL OF
Sustainable Growth

As a formidable and competitive conglomerate in Malaysia, Gadang is now poised for greater heights. With the robust pipeline of projects across all markets, wealth of construction and property development experience, and a well-diversified business model, Gadang is poised to make greater strides in the quest to uphold excellence in all that we do.

WHAT'S INSIDE

1 CORPORATE INFORMATION

2 CORPORATE GOVERNANCE

Vision

To be the preferred leader in all our core businesses, recognised for our high standards and commitment to excellence

Mission

- To perpetually pursue value for all our stakeholders
- To build an effective management team that emphasises on productivity and innovation

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OTHER CORPORATE INFORMATION

23RD ANNUAL GENERAL MEETING

Date : Thursday
3rd November 2016

Time : 10.00 a.m.

Venue : Ballroom 1, First Floor
Sime Darby Convention Centre

CORPORATE *Profile*

PROPERTY DEVELOPMENT

GADANG HOLDINGS BERHAD (GADANG OR THE COMPANY) WAS INCORPORATED IN MALAYSIA ON 6 OCTOBER 1993 AS A PUBLIC LIMITED COMPANY UNDER THE NAME OF LAI SING HOLDINGS BERHAD. IT WAS LISTED ON THE SECOND BOARD OF BURSA MALAYSIA SECURITIES BERHAD ON 2 SEPTEMBER 1994 UNDER THE CONSTRUCTION SECTOR.

PLANTATION

UTILITY

CORPORATE PROFILE

MECHANICAL & ELECTRICAL ENGINEERING

In 1997, Tan Sri Dato' Kok Onn who is the Managing Director cum Chief Executive Officer became the major shareholder and took over the operations of the Company and renamed the Company as Gadang. Gadang was subsequently 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 are in civil engineering and construction, property development, water supply, mechanical and electrical engineering services and oil palm plantation. As part of the Group's strategy to gain a stronger footing in business with recurring and sustainable income, the Group has made inroads into hydro power generation in 2014 by acquiring 60% stake in PT Ikhwan Mega Power, the holder of a 9 megawatt hydro power concession in Kabupaten Tanah Datar, Sumatera Barat for a period of 15 years.

CIVIL ENGINEERING & BUILDING CONSTRUCTION

FINANCIAL Calendar

FOR FINANCIAL YEAR ENDED 31 MAY 2016

ANNOUNCEMENT OF QUARTERLY RESULTS

1ST FINANCIAL QUARTER ENDED 31 AUGUST 2015	2ND FINANCIAL QUARTER ENDED 30 NOVEMBER 2015	3RD FINANCIAL QUARTER ENDED 29 FEBRUARY 2016	4TH FINANCIAL QUARTER ENDED 31 MAY 2016
29 OCTOBER 2015	21 JANUARY 2016	28 APRIL 2016	21 JULY 2016

FIRST AND FINAL DIVIDEND

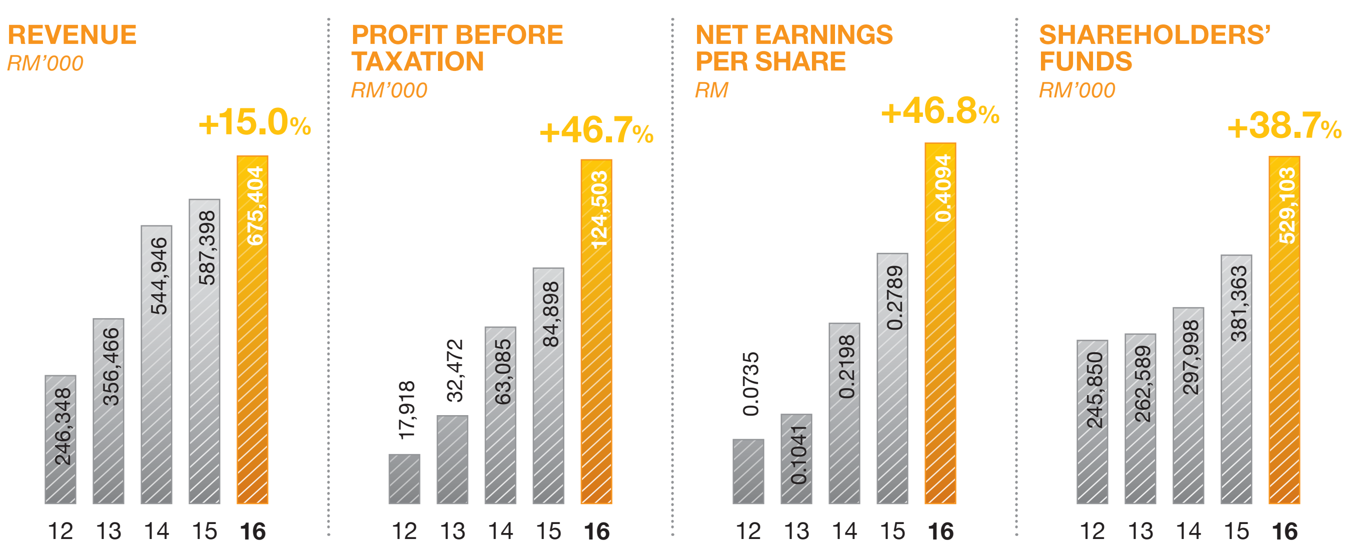
BOOK CLOSURE	10 NOVEMBER 2016
PAYMENT	25 NOVEMBER 2016

PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTICE OF 23RD ANNUAL GENERAL MEETING	29 SEPTEMBER 2016
23RD ANNUAL GENERAL MEETING	3 NOVEMBER 2016

FINANCIAL Highlights

YEAR ENDED 31 MAY	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
REVENUE					
Construction	480,609	449,662	442,193	265,665	189,127
Property Development	172,021	119,721	87,034	73,516	40,890
Utility	20,900	16,682	14,780	17,151	16,331
Plantation	1,874	1,333	939	134	-
Investment & Others	-	-	-	-	-
	675,404	587,398	544,946	356,466	246,348
PROFIT/(LOSS) BEFORE TAXATION					
Construction	71,482	49,239	33,666	12,605	7,560
Property Development	52,928	39,763	30,631	19,087	10,864
Utility	5,614	2,725	4,684	4,236	2,170
Plantation	(1,579)	(1,725)	(2,020)	(830)	(761)
Investment & Others	(3,942)	(5,104)	(3,876)	(2,626)	(1,915)
	124,503	84,898	63,085	32,472	17,918
PROFIT AFTER TAXATION	94,702	60,999	44,378	20,663	13,735
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	94,767	59,837	43,225	20,470	14,451
ISSUED SHARE CAPITAL	258,623	216,369	196,691	196,691	196,691
SHAREHOLDERS' FUNDS	529,103	381,363	297,998	262,589	245,850
TOTAL TANGIBLE ASSETS	1,205,134	809,386	571,688	500,343	447,426
NET EARNINGS PER SHARE (RM)	0.4094	0.2789	0.2198	0.1041	0.0735
NET ASSETS PER SHARE (RM)	2.05	1.76	1.52	1.35	1.27



CORPORATE *Structure*

GADANG HOLDINGS BERHAD
(278114-K)

ENGINEERING AND CONSTRUCTION

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

PROPERTY INVESTMENT AND DEVELOPMENT

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

MECHANICAL AND ELECTRICAL WORKS

- 51% Datapuri Sdn Bhd

PLANTATION

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

UTILITY

- 100% Regional Utilities Sdn Bhd
  - 100% Asian Utilities Pte Ltd
    - 95% PT. Taman Tirta Sidoarjo
    - 95% PT. Hanarida Tirta Birawa
    - 95% PT. Bintang Hytien Jaya
    - 60% PT. Ikhwan Mega Power
    - 95% PT. Dewata Bangun Tirta
    - 80% PT. Hidronusa Rawan Energi

* Dormant companies are not included here.

CORPORATE *Information*

BOARD OF DIRECTORS

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

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

KOK PEI LING
Executive Director

ADAM BIN BACHEK
Independent Non-Executive Director

BOEY TAK KONG
Senior Independent Non-Executive Director

COMPANY 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
T : (03) 6279 6288
F : (03) 6275 2136
E : corporate@gadang.com.my
W : www.gadang.com.my

SHARE REGISTRAR
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
T : (03) 2783 9299
F : (03) 2783 9222
E : is.enquiry@my.tricorglobal.com

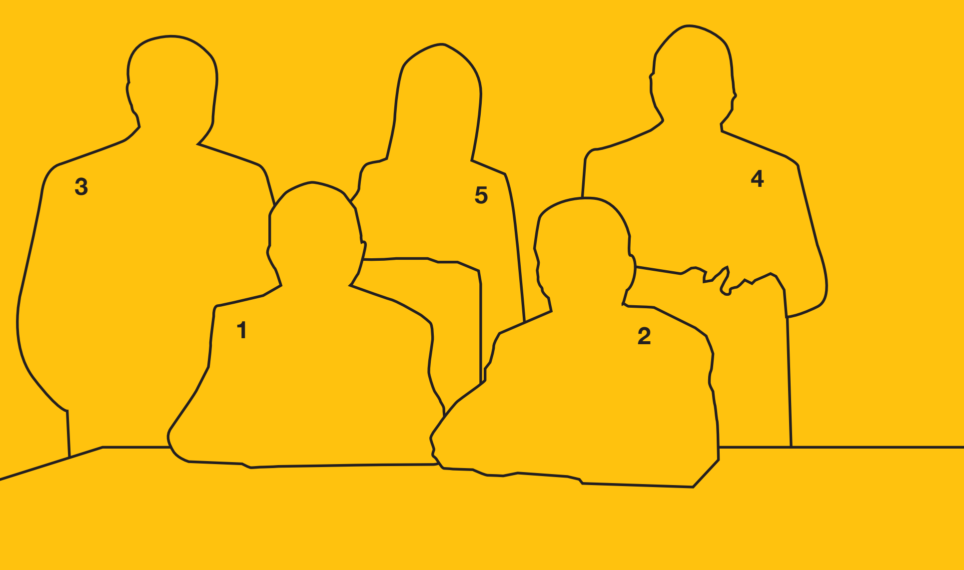
AUDITORS
Crowe Horwath (AF 1018)
Chartered Accountants
Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
T : (03) 2788 9999
F : (03) 2788 9998

PRINCIPAL BANKERS
United Overseas Bank (Malaysia) Berhad
Malayan Banking Berhad
Public Bank Berhad
AmBank (M) Berhad

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

BOARD OF *Directors*

1. DATUK WAN LOKMAN BIN DATO' WAN IBRAHIM
2. TAN SRI DATO' KOK ONN
3. ENCIK ADAM BIN BACHEK
4. MR BOEY TAK KONG
5. MS KOK PEI LING



PROFILE OF Directors

DATUK WAN LOKMAN BIN DATO' WAN IBRAHIM

Aged 70, Malaysian, Male
Chairman,
Independent Non-Executive Director

Date of Appointment
19 May 1997
1 July 2008 redesignated as Chairman

Membership of Board Committees
- Member of the Audit Committee
- Member of the Nomination & Remuneration Committee

Length of Service (as at 31 May 2016)
19 years

Academic/Professional Qualification(s)
- Master of Agriculture Business Management Degree, University of Philippines
- Bachelor Degree in Economics (Hons), University of Malaya.

Working Experience
He was previously 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 before he was appointed as an Executive Director of Indah Water Konsortium Sdn Bhd on 1 December 1996.

Other Directorship(s) in Public Companies and Listed Issuers
None

TAN SRI DATO' KOK ONN

Aged 65, Malaysian, Male
Managing Director cum Chief Executive Officer

Date of Appointment
10 March 1997 as Joint Managing Director
2 September 1997 redesignated as Managing Director cum Chief Executive Officer

Length of Service (as at 31 May 2016)
19 years 3 months

Working Experience
Prior to joining the Company, he was the Group Chief Executive Officer of Bridgecon Holdings Berhad ("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.

His exposure in the construction industry began in 1972 and has been involved in the industry for more than 44 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.

He 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.

Other Directorship(s) in Public Companies and Listed Issuers
Green Packet Berhad

PROFILE OF DIRECTORS

ADAM BIN BACHEK

Aged 67, Malaysian, Male
Independent Non-Executive Director

Date of Appointment
19 May 1997

Membership of Board Committees
- Chairman of the Audit Committee
- Member of the Nomination & Remuneration Committee

Length of Service (as at 31 May 2016)
19 years

Academic/Professional Qualification(s)
- Bachelor of Laws (Hons), University of Buckingham, United Kingdom
- Diploma in Syariah Law & Practice, International Islamic University

Working Experience
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, he is the senior partner of the legal firm, Messrs Adam Bachek & Associates.

Other Directorship(s) in Public Companies and Listed Issuers
None

BOEY TAK KONG

Aged 62, Malaysian, Male
Senior Independent Non-Executive Director

Date of Appointment
3 December 2007

Membership of Board Committees
- Member of the Audit Committee
- Chairman of the Nomination & Remuneration Committee

Length of Service (as at 31 May 2016)
8 years 6 months

Academic/Professional Qualification(s)
- Chartered Accountant, Malaysian Institute of Accountants
- Fellow, Chartered Association of Certified Accountants, United Kingdom
- Associate, Institute of Chartered Secretaries & Administrators, United Kingdom
- Member, Institute of Marketing Malaysia
- Member, Malaysian Institute of Management

Working Experience
He is the Managing Director of Terus Mesra Sdn Bhd, a leadership and governance training company and a certified trainer accredited by HRDF. He has over 23 years of board-based senior financial management, internal audit and overseas business development experience with 6 major public listed groups with listings in Malaysia, United Kingdom, Singapore, Australia and New Zealand.

Other Directorship(s) in Public Companies and Listed Issuers
Dutch Lady Milk Industries Berhad
Green Packet Berhad
Censof Holdings Berhad
Ho Hup Construction Company Berhad

KOK PEI LING

Aged 34, Malaysian, Female
Executive Director
Chief Financial Officer

Date of Appointment
2 January 2013

Length of Service (as at 31 May 2016)
3 years 5 months

Academic/Professional Qualification(s)
- Bachelor of Commerce (Finance and Management), University of Melbourne, Australia

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

Other Directorship(s) in Public Companies and Listed Issuers
None

Other Information on Directors
Save as disclosed, none of the Directors has:
- *any family relationship with any Director and/or major shareholder of the Company, except for Tan Sri Dato' Kok Onn who is the father of Kok Pei Ling, the Executive Director and spouse of Puan Sri Datin Chan Ngan Thai, a major shareholder of the Company;*
- *any conflict of interest with the Company;*
- *any conviction for offences within the past 5 years other than traffic offences; and*
- *any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

KEY SENIOR *Management*

DATO' CHAN AH KAM
Head of Group Contract

KHEW CHECK KIET
Managing Director (Construction Division)

SAW CHEE HOAY
Executive Director & Head of Tender & Contract (Construction Division)

DATO' LING HOCK HING
Managing Director (Property Division)

LIEW SWEE KONG
Managing Director (Mechanical & Electrical Division)

FOO MIENG YONG
Managing Director (Utility Division)

YUE KHAM WAH
Managing Director (Plantation Division)

PROFILE OF Key Senior Management

DATO' CHAN AH KAM

Aged 63, Malaysian, Male
Head of Group Contract
Gadang Holdings Berhad

He joined the Board of Gadang Engineering (M) Sdn Bhd, the Construction Division of the Group on 15 December 1997. He was the Executive Director of Gadang Holdings Berhad from February 2001 until November 2009. He was appointed as Head of Group Contract in 2015. He holds a Bachelor of Engineering (Hons) Degree in Civil Engineering from the University of Malaya. He is a registered Professional Engineer with the Board of Engineers, Malaysia and is also a member of the Institution of Engineers, Malaysia.

Previously with Bridgecon Engineering Sdn Bhd ("BESB"), he was the Assistant General Manager for Penang Operations, overseeing and monitoring the operations on the Northern Region of Malaysia. Prior to that, he was attached to the consultant engineering firm, Hashim & Neh Jurutera Perunding Sdn Bhd in Lumut Naval Base, Perak. From 1977 to 1985, he was working with the Government of Malaysia under Jabatan Kerja Raya and Ministry of Defence.

KHEW CHECK KIET

Aged 56, Malaysian, Male
Managing Director
Gadang Engineering (M) Sdn Bhd
(Construction Division)

He was appointed as Deputy Managing Director of Gadang Engineering (M) Sdn Bhd on 2 September 2008 and was redesignated as Managing Director on 13 June 2011. He holds a Bachelor of Science College of Engineering (Civil Engineering) from the Mississippi State University, United States and a Bachelor of Science (Mathematics and Business Administration in Banking & Finance) from Northwestern Oklahoma State University, United States.

Previously with MTD Construction Sdn Bhd, he was the Planning and Utilities Engineer, responsible on planning, managing and implementation and also coordinating the various sequence of works until his promotion as a Project Manager in 1991. Thereafter, he was attached to MTD Equity Sdn Bhd from 1998 to December 2001 as a Business Development Manager cum Alternate Director, based in Chile, and as a Deputy General Manager with MTD Prime Sdn Bhd from 2002 to August 2008.

SAW CHEE HOAY

Aged 62, Malaysian, Male
Executive Director/Head of Tender & Contract
Gadang Engineering (M) Sdn Bhd
(Construction Division)

He was appointed as an Executive Director of Gadang Engineering (M) Sdn Bhd on 2 August 2000 and assumed the role as the Head of Tender & Contract. He holds a Bachelor of Science Degree in Civil Engineering from National Taiwan University, Republic of China.

Previously, he was attached to Mitsui Construction Company and Bridgecon Engineering (M) Sdn Bhd. He has extensive pre-contract and post-contract experience in costing and contract administration in highway, bridges, dam, power station and also commercial and residential building construction.

PROFILE OF KEY SENIOR MANAGEMENT

DATO' LING HOCK HING

Aged 51, Malaysian, Male
Managing Director
Gadang Land Sdn Bhd
(Property Division)

He joined the Board of Gadang Holdings Berhad on 19 May 1997 as an Alternate Director. He was subsequently appointed as an Executive Director on 2 September 1997 until 19 November 2009 to assume the role of Managing Director of Gadang Land Sdn Bhd, the Property Division of the Group. He is a Chartered Accountant and a member of Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants.

Prior to joining Gadang Holdings Berhad, he was the General Manager for Group Finance of Bridgecon Holdings Berhad. He was previously attached to KPMG Peat Marwick (now known as KPMG) from October 1986 to July 1991 where he qualified as a Certified Public Accountant before joining another audit firm, Ernst & Young in August 1991. He left Ernst & Young in August 1992, shortly before joining Bridgecon Engineering Sdn Bhd in November 1992 as Finance Manager.

LIEW SWEE KONG

Aged 44, Malaysian, Male
Managing Director
Datapuri Sdn Bhd (Mechanical & Electrical Division)

He was appointed as Executive Director cum Chief Operating Officer of Datapuri Sdn Bhd ("Datapuri"), the Mechanical & Electrical Division of the Group on 1 April 2001. He was subsequently re-designated as Managing Director of Datapuri on 1 November 2012.

He graduated with a Bachelor in Electrical Engineering from University of Teknologi Malaysia in 1995. He started his career with KTA Tenaga Sdn Bhd as Mechanical and Electrical Consulting Engineer. Subsequently, he joined Gadang Engineering (M) Sdn Bhd as Project Manager in September 2000 before he was appointed as Director of Datapuri.

FOO MIENG YONG

Aged 63, Malaysian, Male
Managing Director
Regional Utilities Sdn Bhd
(Utility Division)

He joined Regional Utilities Sdn Bhd ("Regional Utilities"), the Utility Division of the Group in March 2016 as Managing Director. He was formerly with Regional Utilities as Project Director from March 2009 to December 2012.

He graduated with a Bachelor of Science in Civil Engineering (Hons) from Brighton Polytechnics, United Kingdom. He retired in February 2009 from Tenaga Nasional Berhad after serving the company for 33 years. He has worked and served in various capacities primarily in the generation department for the development and implementation of thermal power plants. He has also served in the property and asset management/development division.

In December 2012, he was appointed Executive Vice President (Power Division) in Genting Sanyen. He then joined Engineering and Environmental Consultants Sdn Bhd, a consulting firm in 2014 as Project Director in the Power Division.

PROFILE OF KEY SENIOR MANAGEMENT

YUE KHAM WAH

Aged 61, Malaysian, Male
Managing Director
Desiran Impian Sdn Bhd (Plantation Division)

He was appointed as Managing Director of Desiran Impian Sdn Bhd, the Plantation Division of the Group on 16 April 2009. He was previously attached in the internal audit function of companies involved in plantation, manufacturing, trading, travel and leisure.

He is a Chartered Accountant of the Malaysian Institute of Accountants and Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators.

Other Information on Key Senior Management

Save as disclosed, none of the Key Senior Management has:-

1. *any directorship in public companies and listed issuers;*
2. *any family relationship with any Directors and/or major shareholders of the Company, except for Liew Swee Kong who is the nephew of Tan Sri Dato' Kok Onn and cousin of Kok Pei Ling who are members of the Board of the Company;*
3. *any conflict of interest with the Company;*
4. *any conviction for offences within the past 5 years other than traffic offences; and*
5. *any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

GADANG *In The News*

12 news

Gadang wins RM375mil contract

Company gets Pengerang job from Petronas subsidiary

KUALA LUMPUR: Gadang Holdings Bhd has clinched a RM375.13mil contract from Petroliam Nasional Bhd's (Petronas) subsidiary PRPC Utilities and Facilities Sdn Bhd.

The property and construction player told Bursa Malaysia that the letter of award given to its unit Gadang Engineering (M) Sdn Bhd was to undertake a project known as "Utilities, interconnecting, offsite (U10) facilities: Procurement, construction and commissioning of civil and infrastructure works at interconnecting sleepers and utilities area 2 (Package 14-0301)" at Pengerang, Johor.

The contract, to span 31 months, is expected to contribute positively to the Gadang group's earnings for the financial year ending May 31, 2016 onwards.

None of the directors or major shareholders of Gadang or persons connected with them has any interest, whether direct or indirect in the contract.

In June last year Gadang had won a contract (Package 18C) from Petronas Refinery and Petrochemical Corp Sdn Bhd with an estimated value of RM150mil.

The contract was to be completed in September this year.

Gadang shares shed 2 sen to close at RM1.46 on Friday. Meanwhile, the company in its latest annual report said its financials were strong and was poised to grow further. Gadang expects the construction division to perform well in the coming financial year with a sizable and strong outstanding order book of some RM1.3bil.

The property division delivered a commendable set of results amidst challenges faced in the local property market. The unbilled property sales stood at RM155.0mil.

With the recent joint venture with Capital City Property Sdn Bhd for an integrated development project called Capital City, located in Zone A of Iskandar Malaysia region, the property division would remain a resilient driver of growth moving forward.

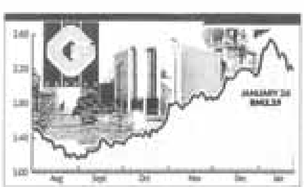
Gadang Holdings bags RM375m contract from Petronas

Anak Syarikat Gadang Dapat LoA Bernilai RM375.13 Juta Untuk Projek Pengerang

KUALA LUMPUR, 23 Okt (Bernama) -- Anak syarikat milik penuh Gadang Holdings Bhd, Gadang Engineering (M) Sdn Bhd telah menerima Surat Setuju Terima (LOA) bernilai RM375.13 juta daripada PRPC Utilities and Facilities Sdn Bhd untuk sebuah projek di Pengerang, Johor.

PRPC Utilities and Facilities Sdn Bhd merupakan anak syarikat di bawah PETRONAS Group.

-- BERNAMA



Strong order book to boost Gadang's H1 earnings

Gadang wins RM185mil Pengerang job

PETALING JAYA: Gadang Holdings Bhd's unit has been awarded an RM185mil contract by Petroliam Nasional Bhd (Petronas) at Pengerang, Johor.

The construction and property company told Bursa Malaysia that Gadang Engineering (M) Sdn Bhd had received the award from PRPC Utilities and Facilities Sdn Bhd, a subsidiary under the Petronas group.

The contract is for civil and infrastructure works for the Storm Water East Area package at the utilities, interconnecting and offsite facilities in Pengerang.

Gadang said the contract was for a period of 20 months and commenced from the date of the award.

"The contract is expected to contribute positively to the earnings of Gadang group for the financial year ending May 31, 2016 onwards," it said.

Shares in Gadang closed the day one sen up to RM2.17, with 1.8 million shares being done.

'Undervalued' Gadang aims to convince

Gadang Land to launch second phase of Laman View in Cyberjaya

GADANG GETS RM185M JOB FROM PETRONAS

PETALING JAYA: Gadang Holdings Bhd has clinched a contract worth RM185 million from Petroliam Nasional Bhd (Petronas) to undertake utilities, interconnecting, offsite facilities procurement, construction and commissioning of civil and infrastructure works at storm water east area in Pengerang, Johor. In a filing with Bursa Malaysia yesterday, Gadang said its wholly-owned subsidiary Gadang Engineering (M) Sdn Bhd has been awarded the contract by Petronas' unit PRPC Utilities and Facilities Sdn Bhd on Dec 11. The group's shares closed higher 0.46% or 1 sen at RM2.17 yesterday, with some 1.83 million shares changing hands.

Gadang buoyed by MRT, Rapid job prospects

Gadang tenders for RM10bil worth of jobs

By YVONNE TAN

CHAIRMAN'S *Statement*

Dear Valued Shareholders,

On behalf of the Board, it gives me great pleasure to present the Annual Report and Financial Statements for the financial year ended (FYE) 31 May 2016.

Notwithstanding the challenging business environment, the Group worked hard to perform well overall, driven by our three core activities of Engineering and Construction, Property Development and Utility Concession. Building on our strong foundation established over the last 2 financial years, we are able to generate positive growth momentum in our key operations.

DATUK WAN LOKMAN BIN DATO' WAN IBRAHIM
Chairman

CHAIRMAN'S STATEMENT

BUSINESS LANDSCAPE

The year 2015 was challenging for Malaysian corporations in general, especially commencing from the tail end of 2014 when the price of oil began its downward spiral and the Ringgit followed suit, depreciating in value against foreign currencies, most notably the US Dollar.

In 2015, Malaysia's Gross Domestic Product (GDP) grew at a slow pace of 5.0% (Bank Negara Malaysia, 2014: 6.0%). The construction sector recorded slower growth of 8.2% (Bank Negara Malaysia, 2014: 11.8%), underpinned by public infrastructure projects. The sector's growth will continue to be driven by a combination of mega infrastructure projects such as the Klang Valley Mass Rapid Transit (MRT), Light Rapid Transit (LRT) 3, Pan Borneo and other major highways, Refinery and Petrochemical Integrated Development (RAPID) at Pengerang, Kuala Lumpur-Singapore High Speed Rail (HSR) and power plant projects.

The Construction Division continues to be the Group's main revenue contributor with revenue of RM480.6 million representing 71.2% of total Group's revenue. Despite the dampened property market as a result of cooling measures implemented by Bank Negara Malaysia, our Property Division was able to achieve earnings growth of 33.1% by delivering a profit before tax of RM52.9 million (FYE 2015: RM39.8 million). Revenue and earnings for Utility Division remained stable for FYE 2016.

PROPOSED DIVIDEND

The Group is committed to shareholders in declaring annual dividends. The quantum of dividends is determined after taking into account, inter alia, the level of available funds, the amount of retained earnings, capital expenditure commitments and other investment planning requirements. For the year under review, the Board has recommended a first and final single-tier dividend of 7 sen per share (FYE 2015: 5 sen per share). This is subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.


1


2

FINANCIAL PERFORMANCE

The year under review saw the Group surpassing its previous years' results both in terms of revenue and profitability.

For FYE 2016, the Group recorded revenue of RM675.4 million (FYE 2015: RM587.4 million) and profit before tax of RM124.5 million (FYE 2015: RM84.9 million), a commendable earnings growth of 46.7%.

1. The Vyne at Salak South, Kuala Lumpur
2. RAPID Package 0301 Project

CHAIRMAN'S STATEMENT

CORPORATE DEVELOPMENTS

(a) On 30 January 2015, Crimson Villa Sdn Bhd, an indirect wholly-owned subsidiary of the Company entered into a Sale and Purchase Agreement with Sementar Properties Sdn Bhd to acquire a parcel of freehold land in Semenyih. The acquisition has been completed on 9 October 2015.

(b) On 13 July 2015, the names of the two dormant indirect wholly-owned subsidiaries, Green Water Investment Pte. Ltd. and Asian Energy Pte. Ltd. have been struck off from the Accounting and Corporate Regulatory Authority Singapore ("ACRA") register.

(c) On 26 August 2015, the Company's indirect wholly-owned subsidiary, Asian Utilities Pte Ltd ("AUPL") completed its acquisition of an additional 300 shares representing 10% of the equity interest in PT. Dewata Bangun Tirta ("PTDBT") from the minority shareholders for a total cash consideration of IDR1.0 billion. Following the acquisition, AUPL's equity interest in PTDBT increased from 85% to 95%.

(d) On 21 October 2015, the Company's wholly-owned subsidiary, Gadang Engineering (M) Sdn Bhd accepted the Letter of Award dated 20 October 2015 from PRPC Utilities and Facilities Sdn. Bhd., a subsidiary under the PETRONAS Group, to undertake a project known as "Utilities, Interconnecting, Offsite (UIO) Facilities: Procurement, Construction and Commissioning (PCC) of Civil & Infrastructure Works at Interconnecting Sleepers and Utilities Area 2 (Package 14-0301)" for a total contract sum of RM375.13 million.

(e) On 11 December 2015, the Company's wholly-owned subsidiary, Gadang Engineering (M) Sdn Bhd had been awarded by PRPC Utilities and Facilities Sdn. Bhd., a subsidiary under the PETRONAS Group, to undertake a project known as "Utilities, Interconnecting, Offsite (UIO) Facilities: Procurement, Construction and Commissioning (PCC) of Civil & Infrastructure Works at Storm Water East Area (Package 14-0402)" for a total contract sum of RM185 million.

(f) On 15 March 2016, Bursa Malaysia Securities Berhad ("Bursa Securities") approved the Proposed Private Placement. On 19 April 2016, the Company fixed the issue price for the placement shares at RM1.85 per share. On 28 April 2016, the Private Placement was completed with the listing and quotation of 23,511,000 new ordinary shares of RM1.00 each on the Main Market of Bursa Securities representing 10% of the issued and paid-up share capital of the Company.

(g) On 18 March 2016, the Company's wholly-owned subsidiary, Gadang International (HK) Limited ("GIHKL") has been deregistered pursuant to an application for voluntary deregistration made by GIHKL to the Companies Registry of Hong Kong.

SUBSEQUENT EVENTS

(a) The corporate proposals announced on 25 August 2016 which were pending completion as at the date of the audited financial statements are as follows:-

   (i) Proposed share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each in Gadang into two (2) ordinary shares of RM0.50 each in Gadang ("Subdivided Shares") held by the entitled shareholders of the Company whose names appear on the Record of Depositors ("Entitled Shareholders") on an entitlement date to be determined and announced later ("Entitlement Date") ("Proposed Share Split");

   (ii) Proposed bonus issue of 129,311,689 new Subdivided Shares ("Bonus Shares") on the basis of one (1) Bonus Share for every four (4) Subdivided Shares held by the Entitled Shareholders on the Entitlement Date after the completion of the Proposed Share Split;

   (iii) Proposed bonus issue of 129,311,689 warrants ("Warrants") on the basis of one (1) Warrant for every four (4) Subdivided Shares held by the Entitled Shareholders on the Entitlement Date after the completion of the Proposed Share Split;

   (iv) Proposed establishment of an employees' share option scheme ("ESOS") of up to fifteen percent (15%) of the issued and paid-up share capital of the Company (excluding treasury shares of the Company) at any point in time to be granted to the eligible Directors and employees of Gadang and its subsidiaries which are not dormant;

   (v) Proposed increase in the authorised share capital of Gadang from RM400,000,000 comprising 400,000,000 ordinary shares of RM1.00 each to RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each; and

   (vi) Proposed amendments to the Memorandum and Articles of Association of Gadang as a consequence

CHAIRMAN'S STATEMENT

of the Proposed Share Split and Proposed Increase in Authorised Share Capital.

(Collectively referred to as the "Proposals")

The Proposals are conditional upon the following approvals being obtained:-

(i) Bursa Securities for the following:-

(a) the Proposed Share Split;

(b) the listing of and quotation for the Subdivided Shares, Bonus Shares, Warrants and new shares to be issued pursuant to the exercise of Warrants and the ESOS Options on the Main Market of Bursa Securities;

(c) the admission of the Warrants to the Official List of Bursa Securities;

(ii) the shareholders of Gadang at an extraordinary general meeting to be convened; and

(iii) any other relevant authority and/or party, if required.

(b) On 26 August 2016, the Company's wholly-owned subsidiary, Regional Utiities Sdn Bhd ("RUSB") incorporated a new subsidiary in Indonesia under the name of PT. Asian Utilities Indonesia ("PTAUI"), with a paid-up share capital of IDR3,945,000,000 (equivalent to USD300,000) divided into 300,000 shares of IDR13,150 each (equivalent to USD1.00 each) of which RUSB holds 99% and the remaining 1% is held by the Company. The intended activity of PTAUI is to provide business management consulting services.

BUSINESS OUTLOOK

In the new financial year 2017, we anticipate further economic challenges with the continued implementation of the goods and services tax (GST), strict housing loan regulations and falling oil prices. Nonetheless, the outlook of the local construction sector is positive as public spending on infrastructure construction projects is being maintained. Within the Group itself, we are making a conscious effort to develop the capabilities of our people to support the Group's long-term strategic ambitions.

Presently, our construction order book stands at RM656.7 million as at end of FYE 2016. Moving forward, construction earnings are expected to be underpinned by Government initiatives involving large-scale infrastructure projects. The Group stands to benefit from these infrastructure projects given its excellent track record in the industry. Our experience and professional management team coupled with healthy financial position will provide the Group with competitive advantages in securing and undertaking new and major projects in the future.

Notwithstanding the cautious outlook for the overall Malaysian property sector, our Property Division continues to identify opportunities such as continued accumulation of critical landbanks in the Klang Valley to pave the way for future developments and capitalize on the demand for affordable housing segment. Our joint development with Cyberview Sdn Bhd (the K-Workers Housing Project) in Laman View, Cyberjaya, received good responses from buyers. The Division also plans to partly utilize the recently acquired land in Semenyih to develop affordable homes under the SelangorKu programme. Currently, our unbilled sales is RM233.7 million as at end of FYE 2016.

In terms of concession activities, the four water concessions that we manage will continue to provide us with steady recurring revenue stream. To meet the increasing energy demands in Indonesia, major power plant projects are expected to come on-stream in the near-term. With our established track record in Indonesia's utility sector, the Group will be in strong position to capitalize on these energy sector initiatives.

Despite the underlying optimism, we remain cautious given the highly competitive environment in the construction sector in Malaysia. The Group's current financial strength, potential project wins and recurring income contributions have provided us with the opportunity to chart the next phase of growth.

ACKNOWLEDGEMENT

We would like to express our sincere gratitude and appreciation to all the directors, members of the management and staff for their loyalty, commitment and dedication.

To our esteemed shareholders, valued customers, suppliers, business partners, bankers and the respective government authorities, we would like to extend our sincere gratitude for your unwavering support to Gadang.

Datuk Wan Lokman Bin Dato' Wan Ibrahim
Chairman

MANAGEMENT Discussion & Analysis

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

MANAGEMENT DISCUSSION & ANALYSIS

RAPID Package 0402 Project

Despite the current market uncertainties, both locally and globally, the Group's financial performance for financial year ended 31 May 2016 ("FY 2016") remained strong.

PROFIT BEFORE TAX (THE GROUP)

46.7%

RM124.5 MILLION

OPERATIONS OVERVIEW

Gadang Group has 3 core distinct portfolio of sustainable business activities comprising Construction, Property Development and Utility services.

Despite the current market uncertainties, both locally and globally, the Group's financial performance for financial year ended 31 May 2016 ("FY 2016") remained strong. The Management had initiated various cost optimisation measures to protect the level of construction activities and reposition its property development launches closely to trend of market demand. Accordingly, the Gadang Group continues to achieve better overall performance across all divisions to record another financial year with stronger results.

REVIEW OF FINANCIAL RESULTS

The Group registered a revenue of RM675.4 million with a record profit before tax ("PBT") of RM124.5 million, 46.7% higher than the previous year performance.

The Construction Division continues to be the major contributor to the Group's consolidated turnover. It contributed RM480.6 million or 71.2% of the Group's consolidated turnover. The Property Division and Utility Division contributed RM172.0 million and RM20.9 million or 25.5% and 3.1% respectively of the Group's consolidated turnover.

As at end of FY 2016, the Group's net cash increased to RM65.3 million as compared to RM34.8 million in the preceding year.

MANAGEMENT DISCUSSION & ANALYSIS

SEGMENTAL REVIEW

Construction Division

The Division continues to perform commendably in FY 2016 due to its integrated operations, cost management of resources and good industry track record. It registered revenue of RM480.6 million while PBT surged by 45.2% to RM71.5 million.

The Division is proud to have completed the site preparation works for the proposed refinery and petrochemical integrated development ("RAPID") at Pengerang within schedule with the handing over of Package 18A, 18C and 20C3-3 to Petronas Refinery and Petrochemical Corporation Sdn Bhd. The Package V2 of Klang Valley Mass Rapid Transit ("KV MRT") project is advancing fast with progress on track and scheduled for completion in FY 2017.

During the year, the Division secured RM560.1 million of new contracts from PRPC Utilities and Facilities Sdn Bhd (a subsidiary of Petronas Group) namely Package 0301 & 0402 – Procurement, construction and commissioning of civil and infrastructure works at RAPID Pengerang.

As at 31 May 2016, the Division's order book balance stood at RM656.7 million, which will keep the Division busy until FY 2018.

The Division believes that the outlook of construction industry remains positive with the government's effort in rolling out the major infrastructure projects such as KVMRT Line 2, LRT Line 3, Westcoast Expressway, Pan Borneo Highway, Kuala Lumpur-Singapore High Speed Rail and the expansion in the renewal and non-renewable energy sector. However, the Division is also mindful on some of the challenges faced by the domestic construction sector. First and foremost, the influx of the big foreign contractors that have the technical and financial resources to compete head-on with the local players in the several mega projects that are open for tender without restriction. Consequently, local contractors, in their effort to shore up the order book, also revise their strategies to price the tenders aggressively with the hope to secure available projects.

KVMRT Package V2

MANAGEMENT DISCUSSION & ANALYSIS

Laman View, Cyberjaya

The highly competitive environment, coupled with increasing construction material prices and escalating labour costs due to a shortage in skilled and unskilled labour supply have led to an industry-wide deterioration in profit margins.

Nevertheless, the Division will continue to bid for new contracts, particularly the government infrastructure or building projects, to maintain a healthy order book. At the same time, the Division will remain selective in its pursuit of construction projects to preserve its profit margins.

Property Development Division

The current financial year has been a challenging one for the property sector, with weaker economic conditions and hike in cost of living have contributed to the general weak market confidence and spending of consumers. The implementation of property-cooling measures and banks' strict housing loan regulations have further dampened the sector.

Notwithstanding the above, the Division has achieved an earnings growth for FY 2016 with PBT increased by 33.1% to RM52.9 million while revenue grew 43.7% to RM172.0 million.

The Vyne (an exclusive condominium development in Salak South, Kuala Lumpur), Capital City in Tampoi, Johor together with the Phase 1A – Prima One and Phase 1B - Laurel of Laman View comprising 325 units of PRIMA Apartment and 142 units of landed terrace homes in Cyberjaya, Selangor respectively, yielded significant contribution to the Division performance for FY 2016.

During the financial year 2016, the Division launched Prima One, Laman View. Todate, the development recorded sales of 85% with sales value of RM160 million and is expected to be completed in mid- 2017.

MANAGEMENT DISCUSSION & ANALYSIS

Currently, the Division has a total land bank of 403 acres with total estimated Gross Development Value (GDV) of RM5.4 billion.

For the coming financial year, the Division will focus mainly on affordable and mid-range products to be in line with the current market demand. The new launches in the pipeline include Mable Residence, a guarded and gated terrace home scheme and PRIMA 2 in Laman View, Cyberjaya, terrace home and Rumah SelangorKu in Semenyih, Selangor.

With the sluggish outlook for the property sector for FY 2017, the Division will continue to improve its operation efficiencies and competitiveness by enhancing its ability to adapt and vary its approaches and strategies through strong execution and resource management with target to evaluate customer satisfaction towards our development and products.

Utility Division

All the Gadang Group's activities are located in Indonesia and for the year under review, revenue and profit before tax increased to RM20.9 million and RM5.6 million respectively as compared to RM16.7 million and RM2.7 million in the preceding year. This was mainly due to the contribution from the newly acquired subsidiary, PT Dewata Bangun Tirta.

The Division strives to demonstrate stable credit strengths with prudent investment criteria driven by supportive regulatory environment. Rapid urbanization, improved health and sanitation conditions and low utility service provisions coupled with local sub sector issues within the authorities prompted more aggressive change in the adoption for planning, development and use of water resources. Substantial participation by private sector investment would be vital and the Division is leveraging on its established track record and performance in the water sector to further expand its footprint in the region.

It has a stream of steady turnover through concessionaire agreements and thus create a sustainable financial margin that enable further investment to meet strategic ambitions. The plants have developed into creditworthy service providers in ensuring Perusahaan Daerah Air Minum ("PDAM") to map their system expansion plans.

Capital City in Tampoi, Johor

MANAGEMENT DISCUSSION & ANALYSIS

Meanwhile, the Division's maiden mini-hydro power plant in Kabupaten Tanah Datar, Sumatera Barat, Indoneisa is targeted to come on stream commencing FY 2019. The mini-hydro power plant will be developed on a build-operate-own agreement via its special purpose vehicle, PT Ikhwan Mega Power ("PT IMP"). PT IMP and Perusahaan Listrik Negara, a state-owned electricity company had entered into a power purchase agreement for a concession period of 15 years. The project had been delayed primarily due to the local socialisation issues, land matters, sub-contractor's performance associated with unfavorable physical site conditions and general security issues. Barring the operational challenges, the strong government support on the recent upward revision of tariff rate is expected to contribute positively on the performance outcome for PT IMP moving into the future.

PT. Hanarida Tirta Birawa

Currently, the water and power sectors in Indonesia remain encouraging with utility infrastructure projects in greater demand with the rise in population and economic growth. The Group's foray into mini- hydro power generation in Indonesia has helped to broaden our profile as we seek further opportunities in the power sector.

The Division will continuously pursue the upgrading of its existing water supply facility and negotiate competitively for more attractive tariff rates. The short to medium term challenge is to develop with definitive plans for expansions of bulk water supplies that can be made available to assist PDAM for their coverage areas.

Plantation Division

This year under review saw improvement in production for our Plantation Division. Revenue increased to RM1.9 million while loss for the current financial year decreased to RM1.6 million.

We remain mindful and prudent in our investment approach for Plantation business.

OUTLOOK

The outlook for FY 2017 remains challenging, as the market and operating environment is driven by various domestic as well as global uncertainties. We will remain vigilant to the developments in the market, and will continue to build on the strong strategy and fundamentals that have contributed to our positive performance in FY 2016.

We will continue to invest in our people as we believe the growth of any organisation lies in the capability, commitment and skills of its employees, both individually as well as a whole. A talented and empowered workforce is truly the foundation and motivating force that ensures competitive advantage for the organisation.

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

AUDIT COMMITTEE Report

A. MEMBERSHIP

The Audit Committee ("AC") comprises the following three Independent Non-Executive Directors:-

Adam Bin Bachek - Chairman

Datuk Wan Lokman Bin Dato' Wan Ibrahim

Boey Tak Kong

Mr Boey Tak Kong who is a member of the Malaysian Institute of Accountants, has the relevant financial experience, as required by Paragraph 15.09(1)(c) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). All the members of the AC are financially literate and are able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as members of the AC.

B. TERMS OF REFERENCE

The Terms of Reference of the AC are available for reference on the Company's website at www.gadang.com.my.

C. MEETINGS AND ATTENDANCE

The AC met five (5) times during the year as part of its standard schedule of meetings. No supplementary meetings were necessary in the year. The details of attendance of each committee member are as follows:-

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

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

The Chief Financial Officer, General Manager (Group Finance), Head of Strategy & Monitoring and Accountant (Group Finance) attended by invitation at all meetings of the Committee. Other members of senior management and representatives of the internal auditors and external auditors were also invited to attend all or part of any meeting. The external auditors were also invited to attend three (3) of these meetings.

AUDIT COMMITTEE REPORT

D. TRAINING

For the year under review, the members of the AC have attended various trainings and the details of the trainings attended are reported under the Statement of Corporate Governance on page 40.

E. SUMMARY OF WORK

Among the five meetings held during the year, the Committee had two separate meetings for reviewing the annual results. Two meetings concentrated on business operations, internal control and internal audit related items, while four meetings focused on accounting and financial reporting matters.

The work performed by the Committee during the financial year 2016 included:-

1. Financial Reporting

The following matters were reviewed by the Audit Committee before being recommended and presented to the Board for approval:-

a) The Company's quarterly financial statements including the draft announcements pertaining thereto for 4th quarter of 2015, 1st quarter of 2016, 2nd quarter of 2016 and 3rd quarter of 2016 were deliberated at the AC meetings held on 31 July 2015, 29 October 2015, 21 January 2016 and 28 April 2016 respectively.

b) The audited financial statements of the Company and the Group for the year ended 31 May 2015 were deliberated at the AC meeting held on 17 September 2015.

The review was to ensure the disclosure of information presented a true and fair view of the Company's financial position and performance and in compliance with the applicable laws, regulatory requirements and best practice of the market.

To safeguard the integrity of the financial information, the AC considered reports from the Group Chief Financial Officer and the Divisional Heads on the scope and outcome of their quarterly review and liaised with the internal auditors, external auditors and management, as and when required.

c) The Audit Committee Report, Statement of Corporate Governance and Statement on Risk Management and Internal Control for insertion into the Company's 2015 Annual Report were deliberated at the AC meeting held on 17 September 2015 before their release to ensure that the information is understandable and consistent with the shareholders' knowledge about the Company and its operations.

2. External Audit

a. On 31 July 2015 and 17 September 2015, the AC reviewed the findings of the external auditors' reports for the financial year ended 31 May 2015, particularly the issues raised on impairment together with management's response to their findings.

AUDIT COMMITTEE REPORT

The audit issues raised by the external auditors were deliberated and monitored. The AC pays particular attention to matters it considers to be important by virtue of their impact on the Group's results and particularly those which involve a relatively higher level of complexity, judgement or estimation by management.

b. On 31 July 2015 and 17 September 2015, the AC had two private sessions with the representatives of Messrs Crowe Horwath without the presence of management to discuss all major issues arising from the audit and any other matters the external auditors might wish to raise.

c. The AC undertook an annual assessment on the performance and effectiveness of the external auditors for the financial year ended 31 May 2015, having regard to several factors including the quality of service provided, sufficiency of audit firm resources, communication and interaction and independence, objectivity and professional skepticism. Having satisfied with the external auditors' performance, technical competency and audit independence, the AC recommended to the Board for approval, the re-appointment of Messrs Crowe Horwath as external auditors for the ensuing financial year of 31 May 2016 at its meeting held on 31 July 2015.

d. On 28 April 2016, the AC reviewed and recommended the External Auditors Policy for the Board's approval. The policy outlines the guidelines and procedures for the Committee to review, assess and monitor the performance, suitability and independence of the Company's external auditors.

e. On 28 April 2016, the AC reviewed with the external auditors, the audit plan of the Company and of the Group for the year 2016 (inclusive of audit approach, scope of work and audit fees) prior to the commencement of the annual audit.

3. Internal Audit Function

a. On 31 July 2015, the AC reviewed and approved the terms of engagement of the internal auditors, KPMG Management & Risk Consulting Sdn Bhd for financial years 2016 and 2017. The AC also discussed with the internal auditors the overall scope and plans for their audits.

b. On 31 July 2015 and 21 January 2016, the AC reviewed the internal audit reports, auditor's recommendations and management's responses to each recommendation.

c. The AC also reviewed in every AC meeting, the status report on actions implemented by management to rectify the outstanding audit issues to ensure control lapses are addressed.

4. Related Party Transactions

a. On 17 September 2015, the AC reviewed the recurrent related party transactions of a revenue or trading nature 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.

b. The AC also reviewed the methods and procedures for recurrent related party transactions to make sure that the Group has in place adequate procedures to monitor, track and identify the said transactions to ensure that they are conducted at arm's length and on normal commercial terms.

AUDIT COMMITTEE REPORT

c. The Audit Committee reviewed the recurrent related party transactions on a quarterly basis to ascertain that the guidelines and procedures established to monitor the Recurrent Related Party Transactions have been complied with and to ensure that they are within the mandate obtained.

d. On 31 July 2015, the AC reviewed the material facts of the related party transactions in relation to the sale of properties developed by the subsidiary company to the related parties under the ordinary course of business. In connection with its review, the Committee had taken into account, whether the said transactions were on normal commercial terms and consistent with the Group's usual business practices and policies.

5. Site visits

The AC visits operations within the Group to develop their knowledge of business operations and to gain first hand insight to the control environment. The AC visited the Group's property development projects at Cyberjaya, Selangor and Salak South, Kuala Lumpur on 2 April 2016 and Bandar Puncak Sena in Kedah on 3 May 2016.

F. SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Board obtains adequate assurance on the effectiveness of system of internal control in the Group, through a programme of regular reviews and appraisals conducted by the Internal Auditors, who report directly to the AC. The Group's internal audit function is outsourced to KPMG Management & Risk Consulting Sdn Bhd. The Internal Auditors are responsible to undertake independent, regular and systematic reviews of the systems of financial and operational controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. The Internal Auditors adopt their proprietary risk-based internal audit methodology, which is aligned to the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

During the financial year, a total of 2 reports covering a total of 12 observations were issued. The areas reviewed included the following processes:
- salary grade, job functions and job description focusing on engineering, utility, mechanical & electrical and property divisions of the Company's Malaysian entities;
- payroll process and manpower management of Gadang Engineering (M) Sdn Bhd and Katah Realty Sdn Bhd; and
- project management of "The Vyne" at Salak South and "Laman View" at Cyberjaya.

Audit reports were issued to the management of the operating units audited, highlighting the findings on any systems and control weaknesses together with recommendations for improvement. Management implements the corrective and preventive actions based on agreed deadlines. These reports together with follow-up audit reports were tabled to the AC for deliberations and process improvement.

The total cost incurred for maintaining the internal audit function for the year under review was of RM58,591.50 comprising mainly professional fees and reimbursements (including Goods and Services Tax of 6%).

STATEMENT OF Corporate Governance

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

Below is the governance process framework on how the Group has applied all the eight (8) principles of the Malaysian Code on Corporate Governance 2012 ("the Code") and the extent to which it has complied with the recommendations of the Code.

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear functions of the Board and Management

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

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

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

Other than as specifically reserved for the Board in the Board Charter, the Board delegates responsibility for the operation and management of the Company's business to the CEO and the management team. Management are accountable to the Board and are to fulfil this responsibility through the provision of reports, briefings and presentations on a regular basis throughout the year. The Board has also defined the limits to management's authority and expects management to:-

- review the Group's strategies and their implementation in all key areas of the Group's activities;
- carry out a comprehensive budgeting process and monitor the Group's financial performance against the budget; and
- identify opportunities and risks affecting the Group's business and find ways of dealing with them.

The Divisional Heads shall attend Board meetings by invitation. Non-Executive Directors may communicate with members of the management team at any time. At the senior management level, Gadang has a Group Management Committee ("GMC") which comprises the CEO and Gadang's senior management team. The GMC meets every bi-monthly with the CEO to review and monitor the performances of the Group's operating divisions, review shared initiatives and update the operational policies. The Board also keeps itself abreast of the operational progress and/or issues and the mitigation plans through the tabling of the minutes of the GMC at the quarterly Board meetings.

STATEMENT OF CORPORATE GOVERNANCE

1.2 Directors' roles and responsibilities

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

a. Reviewing and adopting the strategic plans for the Group. The Board deliberates all materials relating to the strategic plan with management. At least one board meeting each year is devoted to discussing and considering the strategic plan, which takes into account the risks and opportunities of the Group's activities. Management must seek the Board's approval for any transaction that would have a significant impact on the strategic plan.

b. Overseeing the conduct of business and performance of the Company and subsidiaries to ensure they are being properly and appropriately managed. To discharge this duty, the Board will give specific and regular attention to:
   - monitoring performance against the strategic and business plans;
   - monitoring performance against industry's competing companies; and
   - enquiring into and following up on areas of poor performance and their root cause.

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

d. Succession planning, including ensuring that processes are in place to recruit senior management with the highest standards of integrity and competence, and to train, develop and retain them. For example, the Board encourages senior management to participate in professional and personal development activities, courses and programs. The Board supports management's commitment to training and developing all employees.

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

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

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

1.3 Formalised ethical standards through Code of Ethics

The Board has formalised a Code of Conduct ("Code") for its Directors which is incorporated in the Board Charter, to enhance the standard of corporate governance and promote ethical conduct of the Directors and the same is adhered to at all times.

For all its employees, the Group has in place a Group Code of Conduct to ensure a high standard of ethical and professional conduct is upheld in the performance of their duties and responsibilities. The Code of Conduct is disseminated to the Company's employees and as part of its enforcement, employees are required to submit their declarations to adhere and observe to its provisions.

Further, in line with the Company's commitment in achieving and maintaining the highest standards of ethics, honesty, openness and accountability, the Company has also established a Whistleblowing Policy & Procedure ("WPP"). The WPP is aimed to provide an avenue for employees and external parties to raise concerns related to possible

STATEMENT OF CORPORATE GOVERNANCE

malpractices at the earliest opportunity, in an appropriate manner and without fear of reprisal or victimization. The Board has the responsibility to oversee the implementation of the WPP. The Group Managing Director/Chief Executive Officer, Group Chief Financial Officer and the Senior Independent Non-Executive Director are responsible for receiving report(s) made by the employees or external parties for the purpose of whistle-blowing in the form as prescribed under the WPP. The concern will then be deliberated with the Board to decide on the appropriate course of action.

1.4 Strategies promoting sustainability

The Board views the commitment to environmental, social and governance performance as part of its broader responsibility to clients, shareholders and the communities in which it operates to deliver long term sustainable values to the shareholders of the Company.

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

1.5 Access to information and advice

The Directors may access such information and seek independent advice as they individually or collectively consider necessary to discharge their responsibilities and permit independent judgment in decision making. The Board has separate and independent access to the Company Secretary, who also serves as adviser to the directors on their responsibilities and oversees the timely flow of information to the Board prior to meetings.

The management also ensures adequate flow of information to the Board. This information may include the background introduction or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and related documents, budgets, forecasts and monthly internal financial statements. In this respect, all directors also have access to management for progress status report.

All directors and board committees also have unrestricted access to company records and information in addition to receipt of regular detailed financial and operational reports from management.

In order to assist Directors in fulfilling their responsibilities, each Director has the right (with the prior approval of the Chairman) to seek independent professional advice regarding his/her responsibilities, at the expense of the Company.

1.6 Qualified and competent Company Secretary

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

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

STATEMENT OF CORPORATE GOVERNANCE

1.7 Board Charter

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

The Board Charter and the Terms of Reference of its Committees are reviewed regularly to ensure they remain consistent with the Board's objectives, current law and best practices. During the year, no revision was made to the Board Charter.

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

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

The Board Charter is available on the Company's website at www.gadang.com.my.

2.0 STRENGTHEN COMPOSITION

2.1 Nomination & Remuneration Committee

The Nomination Committee and Remuneration Committee were established on 30 July 2001 and were merged into a single committee on 28 October 2010 for the purpose of convenience and practicality. The Nomination & Remuneration Committee ("NRC") comprises entirely of Independent Non-Executive Directors and its members are:-

Boey Tak Kong *(Chairman)*
Datuk Wan Lokman Bin Dato' Wan Ibrahim
Adam Bin Bachek

The duties and responsibilities of the NRC are to assist the Board in reviewing and recommending the appropriate remuneration policies applicable to Directors and senior management and the appointment and evaluation of the performance of the Directors (including Board Committees).

The Terms of Reference of the NRC are available for reference at www.gadang.com.my.

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The NRC convened five meetings during the financial year and the details of the members' attendance are as follows:-

	No. of Meetings	
NRC Member	**Attended**	**Percentage (%)**
Boey Tak Kong	5/5	100
Datuk Wan Lokman Bin Dato' Wan Ibrahim	4/5	80
Adam Bin Bachek	5/5	100

The Chief Executive Officer, Chief Financial Officer and Head of Human Resources were also in attendance at the meetings, where necessary.

During financial year 2016, the activities of the NRC included the following:-

(i) Reviewed and approved the new responsibilities outlined in the job descriptions for the senior management of the Group.
(ii) Reviewed the updates from the Group Human Resources (HR) Department on HR activities progress.
(iii) Reviewed the benefits and terms and conditions of employment of the Executive Directors and senior management for the calendar year 2016.
(iv) Reviewed the annual salary increments and bonuses of the Executive Directors and senior management of the Group.
(v) Evaluated and determined the training needs of the Directors.
(vi) Reviewed and considered the new candidate to the Board of the wholly-owned subsidiary.
(vii) Reviewed on changes implemented by the Head of HR Department.
(viii) Reviewed and implemented a new remuneration framework for Non-Executive Directors.
(ix) Conducted annual assessment of individual Directors, Board and Board Committees.
(x) Conducted annual assessment of independence status of Independent Non-Executive Directors.
(xi) Considered and made recommendations to the Board on the re-appointment and re-election of Directors at the 23rd AGM.

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

a. Board Nomination and Election Process

The appointment of a new Director is a matter for consideration and decision by the full Board, upon the recommendation from the NRC. It is the policy of the Board that in determining candidates for the Board, the following process shall occur:

(i) The NRC evaluates the required mix of skills, experience, expertise and diversity of the existing Board. In particular, the NRC is to identify the particular skills and experience that will best increase the Board's effectiveness.

(ii) The NRC will identify potential candidates by seeking applications from suitably qualified individuals; and/or recommendations from the Directors, management or external parties including the Company's contacts in related industries, finance, legal and accounting professions.

(iii) The NRC interviews selected candidates.

STATEMENT OF CORPORATE GOVERNANCE

(iv) The NRC will evaluate the nominees' ability to discharge their duties and responsibilities before recommending their appointment as directors to the Board for approval.

In considering candidates for director, the NRC will take into account all factors it considers appropriate, including, among other things, breadth of experience, understanding of the Group's business and financial issues, ability to exercise sound business judgement, diversity, past achievements, demonstrate strong performance focus, display leadership quality, a willingness to devote the required time commitment to the Board's affairs, and with good reputation and integrity.

b. Re-election and Re-appointment of Directors

All Directors including Managing and Executive Directors shall retire from office once in every three (3) years but shall be eligible for re-election. In accordance with the Articles of Association ("AA") of the Company, one-third (1/3) of the Directors shall retire from office at each Annual General Meeting ("AGM") and may offer themselves for re-election. The Directors to retire in each year shall be those who have been longest in office since their last election or appointment. A director over 70 years of age is required to submit himself/herself for re-appointment annually in accordance with Section 129 of the Companies Act, 1965.

The Board's support for a Director's re-election/re-appointment is not automatic and is subject to satisfactory assessment of performance. The NRC will first assess the Directors who are due for re-election/re-appointment at the AGM and will then submit its recommendation to the Board for deliberation and approval. This recommendation is based on formal reviews of the performance of the Directors, taking into account their contribution to the Board through their skills, experience, strengths and qualities, level of independence and ability to act in the best interests of the Group in decision-making process.

Tan Sri Dato' Kok Onn who is due for retirement pursuant to Article 108 of the Company's Articles of Association, would be seeking re-election at the forthcoming AGM. Datuk Wan Lokman Bin Dato' Wan Ibrahim who has recently attained the age of 70, would also be seeking re-appointment at the forthcoming AGM.

As evaluated by the NRC and approved by the Board in July 2016, both the directors have met the Board's expectations and continued to contribute to the Board's deliberations and the Board would accordingly recommend to the shareholders, their respective re-election/re-appointment.

c. Annual assessment

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

The NRC reviews annually, the effectiveness of the Board and Board Committees as well as the performance of individual directors. The evaluation involves individual Directors and Committee members completing separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered. They also undertook a self-review and peer review in which they assessed their fellow Directors' performance. The results were compiled and analysed by the Company Secretary and presented at board meeting. The responses from the evaluation process indicate that the Board is well balanced, the size of the Board is adequate for the Group and the Board has the relevant knowledge relating to the Group's business. The Directors believe board meetings are well organised, efficiently run and all relevant aspects of the Company's businesses are dealt with thoroughly by the Board and its various committees which have all discharged their responsibilities adequately. The individual Directors had also met the standards expected of

STATEMENT OF CORPORATE GOVERNANCE

them, with each making strong contributions, generally and through the knowledge derived from their specialised areas of expertise, skills and experience.

d. Board diversity policy

The Board recognises diversity in the boardroom as an essential component of a good corporate governance. The Board's aim is to have a broad range of approaches, backgrounds, skills and experience represented on the Board and to make appointments on merit, and against objective criteria, with due regard given to the benefits of diversity on the Board, including gender, age and ethnicity. The Board currently has one female Director out of five Directors following the appointment of Ms Kok Pei Ling as an Executive Director on 2 January 2013. Female representation as a percentage of the full Board is 20%. The Company will increase female representation on the Board if appropriate candidates are available when Board vacancies arise.

e. Appointment of Senior Independent Non-Executive Director

Mr Boey Tak Kong assumes the role of Senior Independent Non-Executive Director. He acts as a designated contact to whom stakeholders' concerns or queries may be raised, as an alternative to the formal channel of communication with stakeholders. His contact details are as follows:-

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

2.3 Remuneration policies

The Board ensures that the Group's remuneration policy remains competitive to attract, retain and motivate Directors of such caliber who are able to provide the necessary skills and experience, commensurate with the responsibilities for the effective management of the Group. The NRC is responsible for the recommendation of the remuneration and other benefit packages of Non-Executive Directors, Executive Directors and Senior Management of the Group, for approval by the Board. The NRC has direct access to the Head of Group Human Resources and may also seek expert advice from external consultants on executive pay. During the year, KPMG Management & Risk Consulting Sdn Bhd was engaged to provide a study on remuneration for executive directors of the Group against the relevant comparator companies.

The component parts of their remuneration are structured so as to link rewards to individual performance and of the Group which include salary, allowances, bonuses and benefits-in-kind, in the case of the Executive Directors and Senior Management. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned based on industry standard.

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

a. Directors' Fees

All Non-Executive Directors of the Company are entitled to annual Directors' fees which are subject to shareholders' approval at the AGM of the Company.

In respect of financial year 2016, the Board decided not to recommend any increase in the Directors' fees for the Non-Executive Directors and that the existing fee structure remains unchanged. The Directors' fees will be presented to the shareholders for approval at the forthcoming 23rd AGM.

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b. Meeting Attendance Allowance

The Non-Executive Directors are paid a sum RM1,000 per meeting as meeting attendance allowance for Board, Board Committee and general meetings that they attend.

c. Other Emoluments

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

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

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

In addition to the above, all Directors have the benefit of Directors and Officers (D&O) Liability Insurance which covers them against their personal legal liability arising from any "wrongful act" committed in their capacity as Directors of the Company. The Directors shall not be indemnified in the event of any negligence, fraud, breach of duty or breach of trust proven against them.

The aggregate Directors' Remuneration paid or payable to the Directors by the Company for the financial year ended 31 May 2016 is as follows:-

Directors	Directors' Fees# RM	Salary and other emoluments* RM	Benefits-in-kind RM	Total RM
Executive Director				
Tan Sri Dato' Kok Onn	-	1,205,250	4,800	1,210,050
Kok Pei Ling	-	512,820	-	512,820
Non-Executive Directors				
Datuk Wan Lokman Bin Dato' Wan Ibrahim	80,000	23,000	-	103,000
Adam Bin Bachek	70,000	20,050	-	90,050
Boey Tak Kong	70,000	22,500	-	92,500
Total	**220,000**	**1,783,620**	**4,800**	**2,008,420**

Subject to shareholders' approval.
* Include annual leave passage and meeting allowance for Non-Executive Directors only.

STATEMENT OF CORPORATE GOVERNANCE

3.0 REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The diverse experience and backgrounds of the Non-Executive Directors ensure that they can debate with, and constructively challenge management both in relation to the development of strategy and in relation to operational and financial performance. To determine their independence, all Non-Executive Directors are reviewed annually against any circumstances relevant to their current or ongoing independence as set out in the Code and Listing Requirements of Bursa Malaysia Securities Berhad.

Following such review, the Board considers all the Non-Executive Directors to be independent and free of any circumstances that could materially interfere with their ability to provide a strong, valuable contribution to the Board's deliberations, or which could interfere with the Director's ability to act in the best interests of the Group.

3.2 Tenure of Independent Directors

The Company has not established term limits for the independent Directors as the Board believes the tenure period will not interfere with the exercise of independent judgement and the ability to act in the best interests of the Company. Moreover, the term limit has the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Group's operations and therefore, provide an increasing contribution to the Board as a whole.

Both Datuk Wan Lokman Bin Dato' Wan Ibrahim ("Datuk Wan Lokman") and Encik Adam Bin Bachek ("Encik Adam") who were appointed on 19 May 1997, have served as Independent Non-Executive Directors for a cumulative terms of more than nine years. Based on the NRC's assessment, the Board believes that their independence is not affected, as they have the ability to exercise independent judgement at all times and have contributed to the effective functioning of the Board. The Board also acknowledged that Datuk Wan Lokman's vast experience in the banking sector and in-depth expertise in the plantation segment will greatly contribute and support the Group's palm oil activities. Encik Adam's legal background in contract negotiations and technical knowledge in contract management shall be valuable services for the more complex and higher value projects to be tendered. Hence, the Board has recommended that the approval of the shareholders be sought to retain them as independent Directors of the Company.

3.3 Separation of positions of the Chairman and CEO

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

3.4 Composition of the Board

The Board currently comprises three Independent Non-Executive Directors and two Executive Directors. The structure and composition of the Board comply with the Main Market Listing Requirements ("MMLR") of Bursa Securities and the Code. The number of Independent Directors exceeds the requirement that one-third of Board Members be independent as set out in the MMLR of Bursa Securities and the Code. A brief profile of each Director is presented on pages 9 and 10 of this Annual Report.

STATEMENT OF CORPORATE GOVERNANCE

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 and risk management, accountancy, taxation, regulation, business and operations, amongst others. The presence of a majority of Independent Non-Executive Directors will serve to bring objective and independent views, advice and judgement to the decision making of the Board and provide the necessary checks and balances to ensure that the interests of all shareholders and the general public are given due consideration in the decision-making process. The Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Together with the Executive Directors who have in-depth knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities.

4.0 FOSTER COMMITMENT

4.1 Time commitment

The Board is satisfied with the level of time commitment given by the Directors toward fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board meetings during the financial year ended 31 May 2016 as set out in the table below:-

Directors	No. of Meetings Attended	Percentage (%)
Datuk Wan Lokman Bin Dato' Wan Ibrahim	6/6	100
Tan Sri Dato' Kok Onn	6/6	100
Adam Bin Bachek	5/6	83
Boey Tak Kong	5/6	83
Kok Pei Ling	*4/6	67

** Absent due to maternity leave*

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

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

4.2 Training

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

Directors also receive regular business briefings at Board meetings. These briefings are intended to provide Directors with information on each area of the Group's business, in particular regarding performance, key issues, risks and strategies for growth. In addition, Non-Executive Directors are also encouraged to visit the group operations to increase their exposure to the business. During the financial year 2016, the Non-Executive Directors visited the Group's property development projects in Pokok Sena, Kedah, Cyberview, Selangor and Salak South, Kuala Lumpur.

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The Company Secretary will also facilitate in organizing internal and external programmes, training sessions, workshops and seminars for Directors and keeps a complete record of the training received and attended by the Directors.

The details of the training programmes attended by the Directors during the financial year ended 31 May 2016 are summarized below:-

1.	**Datuk Wan Lokman Bin Dato' Wan Ibrahim**	
	• Reshaping the Board's expectations in evaluating & executing overseas investments	25 June 2015
	• Bursa Malaysia CG Breakfast series with Directors – *"Bringing the Best out in Boardrooms"*	31 July 2015
	• Bursa Malaysia Focus Group Session on AGM Guide	9 Nov 2015
	• How to prepare an Effective Business Plan	25 April 2016
2.	**Tan Sri Dato' Kok Onn**	
	• Reshaping the Board's expectations in evaluating & executing overseas investments	25 June 2015
	• How to prepare an Effective Business Plan	25 April 2016
3.	**Adam Bin Bachek**	
	• Reshaping the Board's expectations in evaluating & executing overseas investments	25 June 2015
	• Bursa Malaysia Focus Group Session on AGM Guide	9 Nov 2015
	• How to prepare an Effective Business Plan	25 April 2016
4.	**Boey Tak Kong**	
	• A Dialogue: Post Workshop on Risk Management & Internal Control for Audit Committee Members	9 June 2015
	• Bringing the Best Out in Boardrooms	31 July 2015
	• The Board's Response in Light of Rising Shareholder Engagement	4 Aug 2014
	• Advocacy Session on Management Discussion & Analysis for Chief Executive Officers and Chief Financial Officers	3 Sept 2015
	• Future of Auditor Reporting – The Game Changer for Boardroom	21 Sept 2015
	• The Interplay between Corporate Governance, Non-Financial Information and Investment Decision – What Boards of Listed Companies Need to Know	22 Sept 2015
	• Directors' Training:	20 Oct 2015
	- Integrated reporting	
	- Will the next scandal be on your watch, and do your minority shareholders trust you?	
	- Economic outlook & lookout	
	• "Ring the Bell for Gender Equality" Programme	11 Mar 2016
	• Independent Directors Programme: *"The Essence of Independence"*	28 Mar 2016
	• CG Breakfast Series with Directors : "The Strategy, the Leadership, the Stakeholders and the Board"	6 May 2016
5.	**Kok Pei Ling**	
	• Strategic Senior Management Enhancement Programme	16 June 2015 & 24 Nov 2015
	• Reshaping the Board's Expectations in Evaluating & Executing Overseas Investments	25 June 2015
	• Advocacy Sessions on Management Discussion & Analysis for Chief Executive Officers and Chief Financial Officers	30 June 2015
	• CG Director's Workshop: The Interplay between CG, Non-Financial Information and Investment Decision – What Boards of Listed Companies Need to Know	19 Aug 2015
	• Knowing How to Detect, Prevent & Report Financial Irregularities & Scandalous Activities	20 Aug 2015
	• How to prepare an Effective Business Plan	25 April 2016

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5.0 UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with applicable financial reporting standards

The Board aims to provide a balanced and meaningful assessment of the Group's financial performance, position and prospects, primarily through the issuance of audited annual financial statements and quarterly announcement of results to the shareholders as well as the Chairman's statement and the Management Discussion and Analysis 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. The Board is responsible to ensure that financial statements of the Company give a true and fair view of the state of the Company. Accordingly, the Board has prepared the responsibility statements pursuant to the Listing Requirements as outlined on page 56 of this Annual Report. A full Audit Committee Report detailing its composition and work during the year is set out on pages 26 to 29 of this Annual Report.

5.2 Assessment of suitability and independence of external auditors

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

It is the policy of the Audit Committee to meet with the external auditors three times a year to discuss their audit plan, audit findings and the Company's financial statements. At least two of these meetings are held without the presence of the Executive Directors and the management. The Audit Committee also meets with the external auditors whenever it deems necessary. In addition, the external auditors are also invited to attend the Annual General Meeting ("AGM") of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of their audit report.

The Audit Committee is responsible for the annual performance review and nomination for appointment or re-appointment by the Board of the Company's external auditors. Each year, the Audit Committee will evaluate the external auditors in fulfilling their duty to make an informed recommendation to the Board whether to retain the auditors. The annual review and assessment of the quality of audit is carried out through an assessment checklist based on four (4) key areas covering quality of the service provided; sufficiency of audit firm resources; quality of the communication and interactions with the external auditors and the independence, objectivity and professional scepticism as set out in the Company's External Auditors Policy.

In addition to performing their own assessment, the Audit Committee may also request the Chief Financial Officer and the finance personnel (who have substantial contact with the external audit team) to perform the annual assessment of the external auditors.

After having satisfied itself with their performance, the Audit Committee will recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the AGM.

The details of the statutory audit payable in 2016 to the external auditors and its affiliates are set out below:

	Group Total (RM)
Fees paid/payable to Messrs Crowe Horwath	
• Audit services	315,000
• Non-audit services (for GST Retainer Assistance Program)	3,000
Total	**318,000**

STATEMENT OF CORPORATE GOVERNANCE

6.0 RECOGNISE AND MANAGE RISKS

6.1 Sound framework to manage risks

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

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

6.2 Internal audit function

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

7.0 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

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

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

7.2 Leverage on information technology for effective dissemination of information

The Group has established a current website at www.gadang.com.my to further enhance investor relations and shareholders' communication, including their access to information about the Company and the Group. Various announcements and disclosures to the Bursa Securities made via Bursa LINK, including the timely release of financial results on a quarterly basis and the distribution of annual reports and circulars, provide shareholders and the investing public with an overview of the Group's performance and operations.

STATEMENT OF CORPORATE GOVERNANCE

8.0 STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND SHAREHOLDERS

8.1 Encourage shareholder participation at general meetings

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

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

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

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

8.2 Encourage poll voting

At the 22nd AGM of the Company held on 19 November 2015, no substantive resolutions were put forth for shareholders' approval, other than pertaining to the adoption of the ordinary business, authority to directors to issue shares, recurrent related party transactions and approval for independent non-executive directors to continue in office. As such, the resolutions put for the shareholders' approval at the 22nd AGM were voted on by a show of hands.

In line with the amendments to the Main Market Listing Requirements of Bursa Securities, the voting at the forthcoming 23rd AGM will be conducted on a poll, rather than on a show of hands to facilitate greater shareholder engagement and participation.

8.3 Effective communication and proactive engagement

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

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

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

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COMPLIANCE STATEMENT

The Board is satisfied that in 2016, the Company has been in compliance with the provisions as set out in the new Code.

This Statement is made in accordance with the resolution of the Board dated 14 September 2016.

STATEMENT ON Risk Management and Internal Control

BOARD'S RESPONSIBILITY

The Board of Directors ("Board") is pleased to present the statement about the risk management and internal control of the Group comprising the Company and its subsidiary companies, excluding the associated company.

The Board recognises the importance of maintaining a sound risk management framework and internal control system (the "system") for good corporate governance and efficient work processes. The Board acknowledges its overall responsibility and affirms its commitment to maintaining the system and for reviewing its adequacy and effectiveness to safeguard shareholders' investments and the Group's assets.

In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business objectives. Accordingly, the system can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process of identifying, evaluating, managing and monitoring the significant risks faced by the Group and the process has been in place for the year and up to the date of approval of this Statement for inclusion in the Annual Report. The process is reviewed regularly by the Board and is in accordance with the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers.

The Board has received assurance from the Group Managing Director/Group Chief Executive Officer and Chief Financial Officer that except for a fraud incident which had been reported to the Board and which had immaterial monetary impact to the Group, the Group's risk management and internal control system are operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

RISK MANAGEMENT FRAMEWORK

The Group has in place a Risk Management Policy (RMP) which prescribes a structured and integrated approach in managing key business risks affecting its business and operations. One of the key features is a risk governance structure comprising three lines of defense with clear accountabilities for risk management.

Senior management is the first line of defence and are accountable for all risks assumed under their respective areas of responsibility in line with the RMP. They are responsible for identifying, evaluating, managing and reporting the significant risks applicable to their respective areas of business and in formulating suitable internal controls and action plans to mitigate and control these risks. The level of risk tolerance is guided by a risk likelihood and impact matrix which enables the risk to be rated and prioritised accordingly.

The Group has a dedicated Risk Manager to coordinate the risk management activities within the Group, to supervise the implementation of the RMP and documentation at Group level and to act as the key liaison for risk management issues within the Group. The Risk Manager, through participation in various management meetings, maintains an interactive dialogue with the key risk owners which helps to ensure a more thorough reporting of key risks by the risk owners.

The second line of defence lies with the Risk Management Committee (RMC). The Group has an established RMC that meets on a quarterly basis to review the significant risks faced by the Group, as consolidated and reported by the Risk Manager. The RMC reviews the key risks and planned actions to ascertain if those risks are mitigated and are managed appropriately. On ad-hoc basis, new business proposals or investments are tabled to the RMC for review and deliberation. The RMC's comments are incorporated into the Quarterly Risk Report which will be tabled to the Board for review and evaluation.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Group's internal audit function is outsourced to KPMG Management & Risk Consulting Sdn Bhd ("KPMG"). The internal auditor plays the role of third line defence by independently assessing the system of internal controls as established by the management, review the adequacy and integrity of such internal control system vis-à-vis the objectives served, and to make appropriate recommendation thereof. The internal auditor's work is based on the KPMG Internal Audit Methodology (KIAM), their proprietary risk-based internal audit methodology, which is aligned with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

In addition, the external auditor, through the Audit Committee, provides the Board, with limited assurance as to the control environment in which the Group operates. This is demonstrated by the external auditor's reports, particularly issues raised in the management letter together with management's response to their findings.

SUMMARY OF RISK MANAGEMENT ACTIVITIES DURING THE FINANCIAL YEAR

The Risk Management Committee (RMC) carried out its duties in accordance with its term of reference during the financial year. Highlights of the activities undertaken by the RMC are as follows: -

- Reviewed on a quarterly basis, the significant risks and mitigating measures taken and/or to be taken by the management, to ensure appropriate action plans are carried out in a timely manner;
- Reviewed on ad-hoc basis, the risks pertaining to land acquisition in Indonesia by PT Hidronusa Rawan Energi, a subsidiary of the Group;
- Reviewed the risks in relation to a proposed joint-venture development to be undertaken by the property division, after which the Board reviewed and approved the proposal for exploration;
- Reviewed the Risk Management Policy to ensure it has been updated to reflect the actual practice, e.g. risk organisation structure, frequency of reporting and risk reporting documents for the Group.

Whilst the Board considers the risk management policy to be robust to meet the Group's needs, it will still subject the policy to continuous improvement, taking into consideration better practices and the changing business environment.

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

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

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

1. **Risk review**

   The Board, with the assistance of the Risk Management Committee (RMC), evaluates the adequacy and effectiveness of the risk management system. On a quarterly basis, the Board reviews and evaluates the RMC's report and deliberates on significant risks affecting the business. The Board ensures appropriate risk mitigating measures are implemented in a timely manner.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

On ad-hoc basis, the Board reviews the feasibility study, risk impact and assessment on new business proposals / investments that are presented by the Heads of Divisions. During the year, the Board reviewed the risks in relation to a proposed joint-venture development to be undertaken by the property division before the proposed joint-venture development is approved for exploration.

2. Organisation structure and limits of authority

Formally defined and documented lines of responsibility and delegation of authority has been established through the relevant terms of reference, organisational structures and appropriate authority limits. Hierarchical reporting is also in place to enhance the Group's ability to achieve its strategies and operational objectives as well as provide for documented and auditable trail of accountability.

Various Board and Management Committees have been established to assist the Board in discharging its duties. Among the committees are: -

- Audit Committee
- Nomination and Remuneration Committee
- Risk Management Committee
- Group Management Committee
- Procurement Committee
- Disciplinary Committee

3. Planning, monitoring and reporting

a) An annual business planning and budgeting policy is in place, requiring all business divisions to prepare business plans and budgets for the forthcoming year. The Heads of Business Divisions present the business plans and budgets to the Board before the start of a new financial year. There is an interactive dialogue between the Board and the Heads of Business Divisions and amongst others, the risks, challenges and assumptions are deliberated upon before the Board approves the business plans and budgets for implementation.

b) On a quarterly basis, the Group Finance personnel presents to the Board, the actual financial performance for each business division against the budget. Financial performance variances are explained to the Board.

c) There is a regular and comprehensive flow of information to the Board and Management on all aspects of the Group's operations to facilitate the monitoring of performance against the Group's corporate strategy and business plan. On a quarterly basis, the Head of Group Strategy and Monitoring tracks the progress of Key Performance Indicators (KPIs) achievement by the Heads of Business Divisions and reports the progress to the Group CEO.

d) On a quarterly basis, the Group Finance department reviews and updates the profit forecast for the year, in consultation with heads of business divisions and/or project leaders.

4. Policies and procedures

Policies and procedures are formalised to strengthen controls for financial management and operations. They serve as a guide to employees in their day-to-day work. These policies and procedures are reviewed annually and updates, if any, are communicated promptly to the employees.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

5. **Financial reporting**

   Adequate processes and controls are in place to ensure proper and correct recording of financial information and timely generation of up-to-date financial statements, including the consolidated condensed financial statements. The Audit Committee and the Board monitor and review the Group performance and results at quarterly meetings, deliberating on the quarterly financial statements, key financial and operational performance results.

6. **Management meetings**

   The Group Management Committee (GMC) meets bi-monthly to review and resolve key operational, corporate, financial, legal and regulatory matters. The minutes of GMC meetings are included in the papers for quarterly Board meetings. The Board is kept informed of the operational progress and/or issues and the mitigation plans.

7. **Internal audit function**

   The Group outsourced its internal audit function to KPMG. The Internal Auditors assist the Audit Committee in the discharge of its duties and responsibilities to independently review and report on the adequacy and integrity of the Group's financial reporting, internal control systems and risk management practices. The Audit Committee approves the yearly audit plan.

   The internal auditors carried out regular reviews on operational units to assess the effectiveness of internal controls and to monitor compliance with policies and procedures. They present their audit findings on the effectiveness of internal controls, significant risks, non-compliance and weaknesses observed with recommendations for remedial action to the operating management and thereafter to the Audit Committee. On a quarterly basis, the management action plans in response to the internal auditor's findings are tracked for progress of implementation and reported to the Audit Committee.

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

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Main Market Listing Requirements, the external auditors have reviewed this Statement for inclusion in the 2016 Annual Report. The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 on the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor factually inaccurate.

STATEMENT ON Corporate Responsibility

GADANG GROUP RECOGNISES THAT GOOD CORPORATE RESPONSIBILITY ("CR") EMBRACES ALL ASPECTS OF SUSTAINABLE DEVELOPMENT AND THE WAY IT AFFECTS PEOPLE THROUGH ITS BUSINESS ACTIVITIES.

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

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

Towards this end, Gadang Group fully subscribed to the CR 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 talent and relevant knowledge in ensuring business growth and its sustainability. The Group aims to attract, retain and motivate the highest caliber of employees within the context of an operating structure that encourages their contribution and development.

STATEMENT ON CORPORATE RESPONSIBILITY

The Group endeavors to meet its objectives by arming its employees with a structured and clear career path. Continuous training and development programs are provided for staff internally and externally to equip them with both the skills and knowledge necessary to perform their current work, and the opportunities to demonstrate their ability to advance within the Group. Managers are given management training to endow them with up to date and the best business management tools in order to support and enhance their performance. The Group's intention is to shape its managers into fit and adaptive managers ready to take on more responsibilities as well as internal and external challenges faced by the respective industry.

Equal opportunity and diversity policy

The Group is committed to providing equality of opportunity to all existing and prospective employees without unlawful discrimination on the basis of religion, gender, race, marital status, nationality, colour, ethnic or national origin, age or disability. The Group encourages diversity and opportunity, which is reinforced through the Group's Employment policy.

As of 31 May 2016, the diversity of the Group's workforce is as follows:-

Position	Male	Female	Groupwide
Senior Management	23	6	29
Mid Management	43	10	53
Others	180	91	221
Total	**246**	**107**	**353**

Ethnicity	Male	Female	Groupwide
Malay	108	57	165
Chinese	105	48	153
Indian	20	0	20
Others	13	2	15
Total	**246**	**107**	**353**

Age Group	Male	Female	Groupwide
Below 30	66	40	106
30 to 39	55	37	92
40 to 49	57	22	79
50 to 59	50	7	57
Above 60	18	1	19
Total	**246**	**107**	**353**

STATEMENT ON CORPORATE RESPONSIBILITY

Encouraging participation in these activities underline the enthusiasm and a sense of belonging and unity among the staff.

Employee Rewards & Recognition

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.

Employee Wellness

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

To ease the financial burden of the staff with school-aged children, particularly during the beginning of a new schooling year, the Group distributed a one-off RM200 schooling aid to each of their school-aged children in December 2015. A total of 127 pupils had received the aid totaling RM55,800.

STATEMENT ON CORPORATE RESPONSIBILITY

COMMUNITY

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

During the year, the Group made various contributions to charitable organisations such as Yayasan Bursa Malaysia, Tabung Kebajikan dan Pendidikan Pertubuhan Desa Amal Jireh, Dignity for Children Foundation, Rumah Sejahtera Rumah Orang Tua Bidor, Majlis Pusat Kebajikan Cawangan Kampar, Majlis Pusat Kebajikan Daerah Tanjung Malim, Pemegang Amanah Yayasan Kebajikan SSL Strok dan Pembangunan Masyarakat Berdaftar, Pertubuhan Kebajikan Skizofrenia Malaysia, Oriental Daily Sdn Bhd (Charity Account) and Yayasan Sin Chew (Charity Account), amongst others.

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

As part of the Group's social responsibilities, Gadang Scholarship was established in 2012 to formalize the Company's involvement in providing financial assistance to deserving and financially challenged Malaysian students pursuing higher education in local private and public universities and colleges. This year a total of RM93,000 was approved to be given to 19 needy students for their educational support.

MARKETPLACE

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

QUALITY, SAFETY & HEALTH AND ENVIRONMENT

The Group is fully committed to provide quality products and services and ensure the timely delivery of these products and services to our customers, shareholders and the public. To demonstrate our commitment to quality, the Group achieved its internationally recognized ISO 9001 Quality Management System certification in 2002 for the scope of civil engineering and building construction. All operating companies within the Group are encouraged to follow this lead and seek accreditation.

The Group also emphasized on the importance of the employees' health and well-being at the workplace. We strive to prevent harm coming to any our staff members or others affected by the work we do, and to actively promote

STATEMENT ON CORPORATE RESPONSIBILITY

a positive culture of safety, health and wellbeing. The Group had in 2015 set up a Health, Safety and Environment (HSE) department with the main objective of establishing and implementing safety culture across the companies within the Group through various HSE management programs, trainings and campaigns. This department will drive strategies and initiate improvements to ensure the risk of occupational safety and health is reduced to safeguard the wellbeing of the employees, business partners and the public.

To further improve the Group's commitment to occupational health and safety management, the Group's integrated management system incorporating OHSAS 18001 (Occupational Health & Safety Management System) and ISO 14001 (Environmental Management System) received certifications on 27 November 2015.

The Group treats the environment with respect, demonstrate high environmental standards and ensure environmental commitments made to our stakeholders are viewed as requirements. Dedicated team takes actions every day to demonstrate our commitment to environmental integrity. For example, any environmental commitments we make to our stakeholders throughout development and construction of our projects get tracked and completed to ensure the expectations of regulators, governments and individuals are met.

The Group takes responsibility for minimizing the environmental impacts of our operations by reducing our land disturbance, carbon intensity, energy consumption and water use. Our commitment to the protection of the land does not end with successful reclamation after construction. During operations and throughout the life of our assets, the Group follows a comprehensive environmental management program and continues to collaborate with clients, landowners, communities and other stakeholders, respecting the cultural and environmental aspects of the lands we operate within.

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

ADDITIONAL Compliance Information

• STATUS OF UTILISATION OF PROCEEDS RAISED FROM THE PRIVATE PLACEMENT

As at 31 May 2016, the status of the utilisation proceeds raised under the Private Placement Exercise which was completed on 4 July 2014 is set out below:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000
Investments in utility	27,295	(27,295)	-
Investments in plantation	5,000	(3,300)	1,700
Expenses relating to the Private Placement	750	(750)*	-
Total	33,045	(31,345)	1,700

* Note: Actual utilisation for expenses relating to the Private Placement is RM0.64 million, the balance of RM0.11 million has been used for the working capital of the Group in its existing business.

As at 31 May 2016, the status of the utilisation proceeds raised under the Private Placement Exercise which was completed on 28 April 2016 is set out below:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000
Property development expenses and future land/ project acquisition	42,795	(5,000)	37,795
Expenses relating to the Private Placement	700	(700)#	-
Total	43,495	(5,700)	37,795

Note: Actual utilisation for expenses relating to the Private Placement is RM0.60 million, the balance of RM0.10 million has been used for the working capital of the Group in its existing business.

• 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.

ADDITIONAL COMPLIANCE INFORMATION

- **RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

At the last Annual General Meeting held on 19 November 2015, the Company had obtained a mandate from its shareholders to allow the Company and/or its subsidiaries ("Gadang Group") to enter into recurrent related party transactions of a revenue or trading nature and provision of financial assistance ("Recurrent Transactions") with related parties.

In accordance with Paragraph 10.09(2)(b) of Bursa Securities Main Market Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended 31 May 2016 pursuant to the said shareholders' mandate are as follows:-

Name of Related Party	Relationship	Nature of Transactions	The Company	Aggregate Value RM'000
Kok Khim Boon	Kok Khim Boon is the brother of Tan Sri Dato' Kok Onn ("TSDKO") who is the Managing Director cum Chief Executive Officer and major shareholder of Gadang	Provision of sub-contract works	Gadang Group	1,420
Datapuri Sdn Bhd ("DPSB")	DPSB is a 51% owned subsidiary of Gadang and 49% owned by Exclusive Acres Sdn Bhd ("EASB"). Mr Liew Swee Kong who is a director and shareholder of EASB is the nephew TSDKO.	• Provision of mechanical & engineering subcontract works by DPSB	Gadang Group	3,723
		• Provision of management services by Gadang	Gadang	73
		• Financial assistance	Gadang	401

STATEMENT OF Directors' Responsibility

IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

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

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

In preparing the financial statements, the Directors have:

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

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

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

FINANCIAL
Statements

DIRECTORS' Report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of investment holding and the provision of management services to the subsidiaries. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM	The Company RM
Profit after taxation for the financial year attributable to:		
Owners of the Company	94,767,238	23,242,111
Non-controlling interests	(64,890)	-
	94,702,348	23,242,111
Total comprehensive income for the financial year attributable to:		
Owners of the Company	98,079,644	23,242,111
Non-controlling interests	276,699	-
	98,356,343	23,242,111

DIVIDENDS

On 19 November 2015, the shareholders approved a first and final single tier dividend of 5 sen per ordinary share for the financial year ended 31 May 2015, amounting to RM11,755,619 which was paid on 23 December 2015.

The directors propose a first and final single tier dividend of 7 sen per share for the financial year ended 31 May 2016 which is subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 May 2017.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

DIRECTORS' REPORT (CONT'D)

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) there were no changes in the authorised share capital of the Company;

(b) there were no issues of debentures by the Company; and

(c) the Company increased its issued and paid-up share capital from RM216,369,443 to RM258,623,378 by:-

  (i) the allotment of 23,511,000 new ordinary shares of RM1.00 each at an issue price of RM1.85 per ordinary share for the purpose of working capital; and
  (ii) the issuance of 18,742,935 new ordinary shares of RM1.00 each from the exercise of Warrants 2010/2015 at the exercise price of RM1.00 each in accordance with the Deed Poll dated 20 August 2010.

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

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their values as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

DIRECTORS' REPORT
(CONT'D)

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 48 to the financial statements. At the date of this report, there does not exist:-

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

DIRECTORS

The directors who served since the date of the last report are as follows:-

Datuk Wan Lokman Bin Dato' Wan Ibrahim
Tan Sri Dato' Kok Onn
Adam Bin Bachek
Boey Tak Kong
Kok Pei Ling

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1.00 Each			
	At 1.6.2015	Acquired	Sold	At 31.5.2016
Shareholdings registered in the name of Directors:				
Direct interest				
Tan Sri Dato' Kok Onn	5,336,666	200,000	-	5,536,666
Boey Tak Kong	769,000	-	-	769,000
Indirect interest				
Tan Sri Dato' Kok Onn*	66,802,527	734,800	-	67,537,327

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

By virtue of the substantial interest in the shares of the Company, Tan Sri Dato' Kok Onn is deemed to have interest in shares in all the Company's subsidiaries to the extent the Company has an interest, in accordance with Section 6A of the Companies Act 1965.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company as disclosed in Note 37 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 46 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 52 to the financial statements.

DIRECTORS' REPORT
(CONT'D)

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The significant event occurring after the reporting period is disclosed in Note 53 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 14 September 2016.

DATUK WAN LOKMAN BIN DATO' WAN IBRAHIM

TAN SRI DATO' KOK ONN

STATEMENT BY Directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965

We, Datuk Wan Lokman Bin Dato' Wan Ibrahim and Tan Sri Dato' Kok Onn, being two of the directors of Gadang Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 66 to 173 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 May 2016 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 55, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 14 September 2016.

DATUK WAN LOKMAN BIN DATO' WAN IBRAHIM

TAN SRI DATO' KOK ONN

STATUTORY Declaration

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

I, Kok Pei Ling, being the director primarily responsible for the financial management of Gadang Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 66 to 173 are, to the best of my knowledge and belief, 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
Kok Pei Ling,
at Kuala Lumpur in the Federal Territory
on this 14 September 2016

Before me

PESURUHJAYA SUMPAH
NO. W 668
LAI DIN
MALAYSIA

KOK PEI LING

COMMISSIONER FOR OATHS

B-3A-4, Megan Avenue 2
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur.

INDEPENDENT Auditors' Report

TO THE MEMBERS OF GADANG HOLDINGS BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Gadang Holdings Berhad, which comprise the statements of financial position as at 31 May 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 66 to 173.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 May 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GADANG HOLDINGS BERHAD (CONT'D)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONT'D)

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

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 55 on page 174 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Chua Wai Hong
Approval No: 2974/09/17 (J)
Chartered Accountant

Kuala Lumpur
14 September 2016

STATEMENTS OF Financial Position

AS AT 31 MAY 2016

	Note	The Group 31.5.2016 RM	The Group 31.5.2015 RM (Restated)	The Group 1.6.2014 RM (Restated)	The Company 31.5.2016 RM	The Company 31.5.2015 RM
ASSETS						
Non-current assets						
Investments in subsidiaries	5	-	-	-	128,930,161	131,930,162
Investment in an associate	6	-	-	-	-	-
Concession assets	7	61,313,304	46,051,656	28,033,317	-	-
Property, plant and equipment	8	76,424,096	93,061,365	61,074,458	187,819	215,065
Biological assets	9	12,493,416	12,445,863	11,771,382	-	-
Investment properties	10	17,044,603	19,102,546	19,360,489	-	-
Land held for property development	11	3,881,416	-	-	-	-
Non-trade receivables	17	2,359,779	612,419	537,422	6,479,389	5,115,631
Other investments	12	100,000	100,000	138,000	-	-
Goodwill on consolidation	13	17,690,250	16,717,481	9,147,181	-	-
Deferred tax assets	14	20,440,617	4,201,673	2,261,881	-	-
		211,747,481	192,293,003	132,324,130	135,597,369	137,260,858
Current assets						
Inventories	15	3,352,921	3,283,314	95,207	-	-
Property development costs	16	484,816,187	200,048,315	137,660,286	-	-
Trade and non-trade receivables	17	172,549,667	178,274,469	116,645,466	94,594,170	66,483,031
Amounts owing by contract customers	19	50,752,851	13,287,011	43,964,229	-	-
Current tax assets		5,323,689	6,255,432	4,625,404	-	-
Short term funds	20	106,635,459	-	-	43,713,115	-
Deposits with licensed banks	21	86,150,624	122,414,901	71,650,140	32,869,479	36,253,862
Cash and bank balances	22	101,495,291	110,246,695	73,870,142	17,823,573	11,605,455
		1,011,076,689	633,810,137	448,510,874	189,000,337	114,342,348
TOTAL ASSETS		1,222,824,170	826,103,140	580,835,004	324,597,706	251,603,206

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MAY 2016
(CONT'D)

	Note	The Group 31.5.2016 RM	The Group 31.5.2015 RM (Restated)	The Group 1.6.2014 RM (Restated)	The Company 31.5.2016 RM	The Company 31.5.2015 RM
EQUITY AND LIABILITIES						
Equity						
Share capital	23	258,623,378	216,369,443	196,691,218	258,623,378	216,369,443
Reserves	24	270,479,101	164,993,800	101,306,513	65,512,446	34,605,900
Total equity attributable to owners of the Company		529,102,479	381,363,243	297,997,731	324,135,824	250,975,343
Non-controlling interests	25	7,264,044	7,029,567	3,194,248	-	-
Total equity		536,366,523	388,392,810	301,191,979	324,135,824	250,975,343
Non-current liabilities						
Bank borrowings	26	166,971,835	91,766,248	65,726,437	-	-
Deferred tax liabilities	14	11,238,312	8,876,072	12,327,356	-	-
Defined benefit obligations	29	1,889,111	1,350,208	1,341,737	-	-
Non-trade payables	30	130,926,502	2,094,271	9,514,274	-	-
		311,025,760	104,086,799	88,909,804	-	-
Current liabilities						
Amounts owing to contract customers	19	43,667,438	68,363,010	3,975,666	-	-
Trade and non-trade payables	30	254,838,394	159,117,424	106,285,133	440,621	602,114
Bank borrowings	26	55,849,195	101,246,206	78,342,913	-	-
Provision		-	-	163,971	-	-
Current tax liabilities		21,076,860	4,896,891	1,965,538	21,261	25,749
		375,431,887	333,623,531	190,733,221	461,882	627,863
Total liabilities		686,457,647	437,710,330	279,643,025	461,882	627,863
TOTAL EQUITY AND LIABILITIES		1,222,824,170	826,103,140	580,835,004	324,597,706	251,603,206
NET ASSETS PER ORDINARY SHARE (RM)	31	2.05	1.76	1.52		

The annexed notes form an integral part of these financial statements.

STATEMENTS OF Profit Or Loss

FOR THE FINANCIAL YEAR ENDED 31 MAY 2016

		The Group		The Company	
	Note	2016 RM	2015 RM (Restated)	2016 RM	2015 RM
Revenue	32	675,403,604	587,397,971	30,130,000	21,245,001
Cost of sales	33	(519,730,448)	(461,150,453)	-	-
Gross profit		155,673,156	126,247,518	30,130,000	21,245,001
Other income	34	16,039,875	15,951,200	3,762,960	1,567,456
Administrative expenses		(21,321,593)	(18,372,807)	(5,395,754)	(4,359,580)
Depreciation and amortisation		(4,627,738)	(5,615,302)	(29,094)	(25,885)
Operating expenses		(13,400,704)	(22,186,675)	(1,934,751)	(1,779,887)
Other expenses		(5,297,776)	(8,615,652)	(3,088,139)	(4,269,812)
Profit from operations		127,065,220	87,408,282	23,445,222	12,377,293
Finance costs	38	(2,561,908)	(2,510,338)	-	-
Profit before taxation	35	124,503,312	84,897,944	23,445,222	12,377,293
Income tax expense	39	(29,800,964)	(23,898,946)	(203,111)	(552,452)
Profit after taxation		94,702,348	60,998,998	23,242,111	11,824,841
Profit after taxation attributable to:					
Owners of the Company		94,767,238	59,837,364	23,242,111	11,824,841
Non-controlling interests		(64,890)	1,161,634	-	-
		94,702,348	60,998,998	23,242,111	11,824,841
Earnings per share (sen)					
- basic	40	40.94	27.89		
- diluted	40	N/A	26.86		

The annexed notes form an integral part of these financial statements.

STATEMENTS OF Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 MAY 2016

	Note	The Group 2016 RM	The Group 2015 RM (Restated)	The Company 2016 RM	The Company 2015 RM
Profit after taxation		94,702,348	60,998,998	23,242,111	11,824,841
Other comprehensive income:					
Actuarial loss on defined benefit obligations	29	(127,195)	(72,380)	-	-
Foreign currency translation		3,781,190	295,263	-	-
Total comprehensive income for the financial year		98,356,343	61,221,881	23,242,111	11,824,841
Total comprehensive income attributable to:					
Owners of the Company		98,079,644	60,033,498	23,242,111	11,824,841
Non-controlling interests		276,699	1,188,383	-	-
		98,356,343	61,221,881	23,242,111	11,824,841

The annexed notes form an integral part of these financial statements.

STATEMENTS OF Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 MAY 2016

The Group	Share capital RM	Warrant reserves RM (Non-distributable)	Capital reserves RM (Non-distributable)	Share Premium RM (Non-distributable)	Foreign exchange translation reserves RM (Non-distributable)	Retained profits RM (Distributable)	Total RM	Non-controlling interests RM	Total equity RM
Balance at 1.6.2014									
As previously reported	196,691,218	6,175,984	1,346,681	-	(4,870,268)	98,793,465	298,137,080	3,194,248	301,331,328
Effect of adopting FRS 119	-	-	-	-	(503)	(138,846)	(139,349)	-	(139,349)
Balance at 1.6.2014	196,691,218	6,175,984	1,346,681	-	(4,870,771)	98,654,619	297,997,731	3,194,248	301,191,979
Profit after taxation for the financial year	-	-	-	-	-	59,837,364	59,837,364	1,161,634	60,998,998
Other comprehensive income for the financial year:									
- Actuarial loss on defined benefit obligations	-	-	-	-	-	(72,380)	(72,380)	-	(72,380)
- Foreign currency translation differences	-	-	-	-	268,514	-	268,514	26,749	295,263
Total comprehensive income for the financial year	-	-	-	-	268,514	59,764,984	60,033,498	1,188,383	61,221,881
Balance carried forward	196,691,218	6,175,984	1,346,681	-	(4,602,257)	158,419,603	358,031,229	4,382,631	362,413,860

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

The Group	Share capital RM	Warrant reserves RM	Capital reserves RM	Share Premium RM	Foreign exchange translation reserves RM	Retained profits RM	Total RM	Non-controlling interests RM	Total equity RM
	← Non-distributable				→	Distributable			
Balance brought forward	196,691,218	6,175,984	1,346,681	-	(4,602,257)	158,419,603	358,031,229	4,382,631	362,413,860
Contributions by and distribution to owners of the Company:									
- Dividend (Note 41)	-	-	-	-	-	(8,654,778)	(8,654,778)	-	(8,654,778)
- Issuance of shares	19,669,900	-	-	13,375,532	-	-	33,045,432	-	33,045,432
- Issuance of shares upon exercise of warrants	8,325	(2,614)	-	2,614	-	-	8,325	-	8,325
- Share issuance expenses	-	-	-	(642,029)	-	-	(642,029)	-	(642,029)
- Acquisition of a subsidiary	-	-	-	-	(11,210)	(413,726)	(424,936)	3,062,415	2,637,479
- Changes in ownership interest in subsidiaries (effects of change in stake)	-	-	-	-	-	-	-	(415,479)	(415,479)
Total transactions with owners	19,678,225	(2,614)	-	12,736,117	(11,210)	(9,068,504)	23,332,014	2,646,936	25,978,950
Balance at 31.5.2015	216,369,443	6,173,370	1,346,681	12,736,117	(4,613,467)	149,351,099	381,363,243	7,029,567	388,392,810

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

The Group	Share capital RM	Warrant reserves RM	Capital reserves RM	Share Premium RM	Foreign exchange translation reserves RM	Retained profits RM	Total RM	Non-controlling interests RM	Total equity RM
	← Non-distributable				→	Distributable			
Balance at 1.6.2015									
As previously reported	216,369,443	6,173,370	1,346,681	12,736,117	(4,613,491)	149,344,676	381,356,796	7,029,567	388,386,363
Effect of adopting FRS 119	-	-	-	-	24	6,423	6,447	-	6,447
As restated	216,369,443	6,173,370	1,346,681	12,736,117	(4,613,467)	149,351,099	381,363,243	7,029,567	388,392,810
Profit after taxation for the financial year	-	-	-	-	-	94,767,238	94,767,238	(64,890)	94,702,348
Other comprehensive income for the financial year:									
- Actuarial loss on defined benefit obligations	-	-	-	-	-	(127,195)	(127,195)	-	(127,195)
- Foreign currency translation differences	-	-	-	-	3,439,601	-	3,439,601	341,589	3,781,190
Total comprehensive income for the financial year	-	-	-	-	3,439,601	94,640,043	98,079,644	276,699	98,356,343
Balance carried forward	216,369,443	6,173,370	1,346,681	12,736,117	(1,173,866)	243,991,142	479,442,887	7,306,266	486,749,153

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

The Group	Share capital RM	Warrant reserves RM	Capital reserves RM	Share Premium RM	Foreign exchange translation reserves RM	Retained profits RM	Total RM	Non-controlling interests RM	Total equity RM
		← Non-distributable			→	Distributable			
Balance brought forward	216,369,443	6,173,370	1,346,681	12,736,117	(1,173,866)	243,991,142	479,442,887	7,306,266	486,749,153
Contributions by and distribution to owners of the Company:									
- Dividend (Note 41)	-	-	-	-	-	(11,755,619)	(11,755,619)	-	(11,755,619)
- Issuance of shares	23,511,000	-	-	19,984,350	-	-	43,495,350	-	43,495,350
- Issuance of shares upon exercise of warrants	18,742,935	(5,885,282)	-	5,885,282	-	-	18,742,935	-	18,742,935
- Share issuance expenses	-	-	-	(564,296)	-	-	(564,296)	-	(564,296)
- Striking off subsidiaries	-	-	-	-	15,865	(15,865)	-	-	-
- Changes in ownership interest in subsidiaries (effects of change in stake)	-	-	-	-	-	(258,778)	(258,778)	(42,222)	(301,000)
- Transfer to retained earning upon expiry of warrants	-	(288,088)	-	-	-	288,088	-	-	-
Total transactions with owners	42,253,935	(6,173,370)	-	25,305,336	15,865	(11,742,174)	49,659,592	(42,222)	49,617,370
Balance at 31.5.2016	258,623,378	-	1,346,681	38,041,453	(1,158,001)	232,248,968	529,102,479	7,264,044	536,366,523

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

The Company	Share capital RM	← Non-distributable Share premium RM	→ Warrant reserves RM	Distributable Retained profits RM	Total RM
Balance at 1.6.2014	196,691,218	-	6,175,984	12,526,350	215,393,552
Profit after taxation for the financial year	-	-	-	11,824,841	11,824,841
Contributions by and distribution to owners of the Company:					
- Issuance of shares	19,669,900	13,375,532	-	-	33,045,432
- Issuance of shares upon exercise of warrants	8,325	2,614	(2,614)	-	8,325
- Share issuance expenses	-	(642,029)	-	-	(642,029)
- Dividend (Note 41)	-	-	-	(8,654,778)	(8,654,778)
Total transactions with owners	19,678,225	12,736,117	(2,614)	(8,654,778)	23,756,950
Balance at 31.5.2015	216,369,443	12,736,117	6,173,370	15,696,413	250,975,343
Profit after taxation for the financial year	-	-	-	23,242,111	23,242,111
Contributions by and distribution to owners of the Company:					
- Issuance of shares	23,511,000	19,984,350	-	-	43,495,350
- Issuance of shares upon exercise of warrants	18,742,935	5,885,282	(5,885,282)	-	18,742,935
- Share issuance expenses	-	(564,296)	-	-	(564,296)
- Transfer to retained earning upon expiry of warrants	-	-	(288,088)	288,088	-
- Dividend (Note 41)	-	-	-	(11,755,619)	(11,755,619)
Total transactions with owners	42,253,935	25,305,336	(6,173,370)	(11,467,531)	49,918,370
Balance at 31.5.2016	258,623,378	38,041,453	-	27,470,993	324,135,824

The annexed notes form an integral part of these financial statements.

STATEMENTS OF Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 MAY 2016

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash flows from operating activities				
Profit before tax	124,503,312	84,897,944	23,445,222	12,377,293
Adjustments for:				
Accretion of interest on:				
- trade and non-trade receivables	(4,668,500)	6,182,028	-	-
- amounts owing by subsidiaries	-	-	86,242	1,472,969
- trade and non-trade payables	724,733	(4,139,845)	-	-
- amount owing to a director	569,765	35,729	-	-
Amortisation on biological assets	449,773	384,531	-	-
Bad debts recovered	-	(273,113)	-	-
Bad debts written off	784	345	-	-
Depreciation of:				
- concession assets	756,462	1,882,150	-	-
- investment properties	257,943	257,943	-	-
- property, plant and equipment	23,477,511	20,583,434	29,093	25,885
Dividend received from subsidiaries	-	-	(25,100,000)	(16,600,000)
Dividend received from short term funds	(2,780,277)	-	(1,271,811)	-
Gain on bargain purchase	-	(206,206)	-	-
Impairment loss on:				
- amounts owing by subsidiaries	-	-	-	90,051
- concession assets	-	275,678	-	-
- goodwill	-	1,524	-	-
- investment in subsidiaries	-	-	3,000,000	2,000,000
- investment property	1,800,000	-	-	-
- trade and non-trade receivables	1,203,190	-	-	-
Increase/(Decrease) in liability for defined benefit obligations	288,491	(63,902)	-	-
Interest expense	5,800,181	7,406,277	-	-
Interest income	(4,312,802)	(5,286,454)	(946,276)	(1,553,217)
Net gain on disposal of property, plant and equipment	(1,904,536)	(961,309)	-	-
Net unrealised loss/(gain) on foreign exchange	(724,183)	1,435,643	(1,537,303)	693,023
Striking off of subsidiaries	8	-	1	-
Property, plant and equipment written off	132,525	31,938	1,897	1
Waiver of liability	(45,295)	-	-	-
Operating profit/(loss) before working capital changes	145,529,085	112,444,335	(2,292,935)	(1,493,995)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Changes in working capital:				
(Increase)/Decrease in amounts owing by/(to) contracts customers	(62,161,412)	95,064,562	-	-
(Increase)/Decrease in biological assets	(497,326)	(1,059,012)	-	-
(Increase)/Decrease in inter-company balances	-	-	(28,088,780)	(29,477,100)
(Increase)/Decrease in inventories	(69,607)	(1,097,387)	-	-
Increase/(Decrease) in payables	222,872,531	31,523,261	(48,539)	129,270
(Increase)/Decrease in property development costs	(288,649,288)	(62,388,030)	-	-
(Increase)/Decrease in receivables	7,520,862	(53,138,216)	(60,313)	(1,339,688)
Cash generated from operations	24,544,845	121,349,513	(30,490,567)	(32,181,513)
Net income tax paid	(26,605,422)	(28,129,075)	(207,599)	(65,016)
Net Operating Cash Flows	(2,060,577)	93,220,438	(30,698,166)	(32,246,529)
Cash flows from investing activities				
Acquisition of:				
- concession assets	(13,730,834)	(4,309,489)	-	-
- property, plant and equipment (Note 44)	(3,203,711)	(28,550,483)	(3,744)	(128,646)
Dividends received from subsidiaries	-	-	25,100,000	16,600,000
Dividends received from short term funds	2,780,277	-	1,271,811	-
Interest received	4,312,802	5,286,454	946,276	1,553,217
Acquisition of subsidiaries:				
- investment in new subsidiaries	-	(16,876,293)	-	-
- acquisition of additional equity interest in a subsidiary from non-controlling interest existing subsidiary	(301,000)	-	-	-
Proceeds from disposal of:				
- other investment	-	38,000	-	-
- property, plant and equipment	4,116,311	1,052,418	-	-
Striking off of subsidiaries, net cash and cash equivalents written off	(8)	-	(1)	-
Net Investing Cash Flows	(6,026,163)	(43,359,393)	27,314,342	18,024,571
Cash flows from financing activities				
Dividends paid	(11,755,619)	(8,654,778)	(11,755,619)	(8,654,778)
Drawdown of bank borrowings	96,479,993	111,778,945	-	-
Fixed deposits pledged as security values	2,386,704	5,598,228	(272,962)	(259,138)
Interest paid	(5,800,181)	(7,406,277)	-	-
Proceeds from issuance of share capital	43,495,350	33,045,432	43,495,350	33,045,432

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Proceeds from issue of shares upon exercise of warrants	18,742,935	8,325	18,742,935	8,325
Share issuance expenses	(564,296)	(642,029)	(564,296)	(642,029)
Repayment of:				
- bank borrowings	(63,667,549)	(80,075,417)	-	-
- hire purchase payables	(10,601,120)	(7,771,789)	-	-
Net Financing Cash Flows	68,716,217	45,880,640	49,645,408	23,497,812
Net change in cash and cash equivalents	60,629,477	95,741,685	46,261,584	9,275,854
Effect of exchange rate changes on cash and cash equivalents	1,776,705	(1,797,845)	12,304	-
Cash and cash equivalents at the beginning of the financial year	170,097,750	76,153,910	37,879,065	28,603,211
Cash and cash equivalents at the end of the financial year (Note 45)	232,503,932	170,097,750	84,152,953	37,879,065

The annexed notes form an integral part of these financial statements.

NOTES TO Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2016

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office, which is also the principal place of business, is at Wisma Gadang, No. 52, Jalan Tago 2, Off Jalan Persiaran Utama, Sri Damansara, 52200 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 14 September 2016.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of investment holding and the provision of management services to the subsidiaries. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act 1965 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

FRSs and/or IC Interpretations (Including the Consequential Amendments)
Amendments to FRS 119: Defined Benefit Plans – Employee Contributions
Annual Improvements to FRSs 2010 – 2012 Cycle
Annual Improvements to FRSs 2011 – 2013 Cycle

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:-

Amendments to FRS 119: Employee Contributions

The amendments to FRS 119 simplify the accounting treatment of contributions from employees and third parties to defined benefit obligations. Contributions that are independent of the number of years of service shall be recognised as a reduction in the service cost in the period in which the related service is rendered. For contributions that are dependent on the number of years of service, the Company is required to attribute those contributions to periods of service using either based on the plan's contribution formula or on a straight-line basis, as appropriate. The impacts on the financial statements of the Group upon the application of the amendments are disclosed in Note 29 to the financial statements.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") after 1 June 2015 but are not yet effective for the current financial year:

FRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective Date
FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
FRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to FRS 10 and FRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to FRS 11 : Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to FRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to FRS 107: Disclosure Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to FRSs 2012 – 2014 Cycle	1 January 2016

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

3.3 MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), that are to be applied by all entities other than private entities; with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venturer (herein called "transitioning entities").

As further announced by MASB on 28 October 2015, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2018.

Accordingly, as a transitioning entity as defined above, the Group has chosen to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 31 May 2019. The Group is currently assessing the possible financial impacts that may arise from the adoption of MFRSs and the process is still ongoing.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Critical Accounting Estimates and Judgements

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

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Income Taxes

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

(c) Impairment of Non-financial Assets

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

(d) Property Development

The Group recognised property development revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that the 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016
(CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Critical Accounting Estimates and Judgements (Cont'd)

(e) Construction Contracts

Construction contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

(i) Contract Revenue

Construction contracts accounting requires that variation claims and incentive payments only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

(ii) Contract Costs

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the profitability of the contract on an individual basis at any particular time.

(f) Classification Between Investment Properties and Owner-Occupied Properties

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Critical Accounting Estimates and Judgements (Cont'd)

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

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

(i) Impairment of Goodwill

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

(j) Impairment of Trade and Other Receivables

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

(k) Write-down of Inventories

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

(l) Deferred Tax Assets and Liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Critical Accounting Estimates and Judgements (Cont'd)

(m) *Revaluation of Properties*

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

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

(n) *Projected Water Revenue of the Concession*

Significant estimation is involved in determining projected water revenue of concession where the concession period ranges between 15 to 24 years. The projected water revenue is estimated based on the scheduled tariff as set out in Concession Agreement and projected water consumption as assessed by the management.

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

(o) *Carrying Value of Investments in Subsidiaries*

Investments in subsidiaries are reviewed for impairment annually in accordance with its accounting policy or whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

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

4.2 Financial Instruments

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

Financial instruments are classified as financial assets and financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in FRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Financial Instruments (Cont'd)

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.

A financial instrument is recognised initially, at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets or available-for-sale financial assets, as appropriate.

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

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprise contingent consideration in a business combination.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

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

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

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

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Financial Instruments (Cont'd)

(a) Financial Assets (Cont'd)

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

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

(b) Financial Liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Financial Instruments (Cont'd)

(b) *Financial Liabilities* (Cont'd)

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) *Equity Instruments*

Ordinary shares classified as equity are measured at cost and are not remeasured subsequently. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) *Derecognition*

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4.3 Functional and Foreign Currencies

(a) *Functional and Presentation Currency*

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) *Transactions and Balances*

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Functional and Foreign Currencies (Cont'd)

(c) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

4.4 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Basis of Consolidation (Cont'd)

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income, expenses and any unrealised gains and losses arising from intra-group transactions are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

Upon loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

<u>Business Combinations from 1 June 2011 Onwards</u>

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016
(CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Basis of Consolidation (Cont'd)

Business Combinations from 1 June 2011 Onwards (Cont'd)

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

Business Combinations before 1 June 2011

All subsidiaries are consolidated using the purchase method. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Non-controlling interests are initially measured at their share of the fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition.

4.5 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Business Combinations from 1 June 2011 Onwards

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Business Combinations before 1 June 2011

Under the purchase method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

If after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised as income immediately in profit or loss.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Goodwill (Cont'd)

Interest on Associates

In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

4.6 Investments in Subsidiaries

Investments in subsidiaries including the fair value adjustments on inter-company loans at inception date are stated at cost in the statement of financial position of the Company and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that their carrying values may not be recoverable. The cost of the investments includes the transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.7 Investments in Associates

An associate is an entity in which the Group has a long-term equity interest and where it exercises significant influence over the financial and operating policies.

The investment in an associate is accounted for in the consolidated financial statements using the equity method based on the financial statements of the associate made up to 31 May 2016. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with FRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate into profit or loss when the equity method is discontinued.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Joint Arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements returns.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint operations.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, the obligations for the liabilities, relating to the arrangement. The Group accounts for each of its interest in the joint operations the assets, liabilities, revenue and expenses (including its share of those held or incurred jointly with the other investors) in accordance with the applicable accounting standard.

4.9 Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost less impairment loss, if any, and is not depreciated.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The principal annual rates used for this purpose are:-

Leasehold land	Over lease period
Buildings	2% - 20%
Plant and machinery	10% - 20%
Tools and equipment	10% - 20%
Office equipment	10% - 25%
Furniture and fittings	10%
Motor vehicles	10% - 25%
Renovation	10% - 25%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, 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 the property, plant and equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Property, Plant and Equipment (Cont'd)

will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

4.10 Biological Assets

Biological assets are stated at cost less accumulated amortisation and impairment loss, if any.

Planting expenditure incurred on land clearing, upkeep of immature trees, administrative expenses directly attributable to planting and interest incurred during the pre-cropping period is capitalised at cost as biological assets. Upon maturity, all subsequent maintenance expenditure is recognised in profit or loss.

Pre-cropping cost is amortised on a straight-line basis over 20 years, the expected useful lives of oil palm trees, upon maturity.

4.11 Impairment

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss, investments in subsidiaries and investments in associates), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity into profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Impairment (Cont'd)

(a) Impairment of Financial Assets (Cont'd)

With the exception of available-for-sale debt instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rate basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case, the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 Assets under Hire Purchase

Assets acquired under hire purchase are capitalised in the financial statements as property, plant and equipment and the corresponding obligations are treated as hire purchase payables. The assets capitalised are measured at the lower of the fair value of the leased assets and the present value of the minimum lease payments and are depreciated on the same basis as owned assets. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of charge on the hire purchase outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

4.13 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on the straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties range from 50 to 94 years.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

4.14 Inventories

(a) Inventories, which consist of completed development properties held for sale, are stated at the lower of cost and net realisable value. The cost of completed development properties is determined on the specific identification basis and comprises cost associated with the acquisition of land, direct building and construction 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.

(b) Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less and the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016
(CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 Property Development Costs

(a) *Land Held For Property Development*

Land held for property development consist of land costs where no development activities are carried out or where development activities are not expected to be completed within the normal operating cycle. Land held for property development is classified as non-current asset and carried at cost less accumulated impairment losses, if any.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Pre-acquisition costs are charged to profit or loss as incurred unless such costs are directly identifiable to the consequent property development activity.

Land held for property development is classified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(b) *Property Development Costs*

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs that are not recognised as an expense are recognised as an asset and carried at the lower of cost and net realisable value.

When the financial outcome of a development activity can be reliably estimated, the amount of property revenue and expenses recognised in profit or loss are determined by reference to the stage of completion method. The stage of completion is determined based on the proportion that the property development costs incurred for work performed to date bear to the estimated total property development costs at the end of the reporting period.

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

Where it is probable that property development costs will exceed property development revenue, any expected loss is recognised as an expense in profit or loss immediately, including costs to be incurred over the defects liability period.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 Progress Billing/Accrued Billings

In respect of progress billings:-

(i) Where revenue recognised in profit or loss exceeds the billings to purchasers, the balance is shown as accrued billings under current assets; and

(ii) Where billings to purchasers exceed the revenue recognised in profit or loss, the balance is shown as progress billings under current liabilities.

4.17 Amounts Owing By/(To) Contract Customers

The amounts owing by/(to) contract customers are stated at cost plus profits attributable to contracts in progress less progress billings and allowance for foreseeable losses, if any. Cost includes direct materials, labour and applicable overheads.

4.18 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

4.19 Income Taxes

Income tax for the reporting period comprises current tax and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

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

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 Income Taxes (Cont'd)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation entity and the same taxable authority.

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

4.20 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term funds, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and deposits pledged to financial institutions.

4.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

4.22 Employee Benefits

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss and included in the development costs and construction costs, where appropriate, in the period in which the associated services are rendered by employees of the Group.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.22 Employee Benefits (Cont'd)

(b) Defined Contribution Plans

The Group's contributions to a defined contribution plans are recognised in profit or loss and included in the development costs and construction costs, where appropriate, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans. A foreign subsidiary of the Group makes contributions to its respective country's pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred.

(c) Unfunded Defined Benefit Plan

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

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

(d) Termination Benefits

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

4.23 Related Parties

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.23 Related Parties (Cont'd)

(b) An entity is related to a reporting entity if any of the following conditions applies:-

(i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others.)
(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) both entities are joint ventures of the same third party.
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) the entity is controlled or jointly controlled by a person identified in (a) above.
(vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including its director (whether executive or otherwise) of that entity.

4.24 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4.25 Earnings per Ordinary Share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.26 Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4.27 Revenue and Other Income

(a) Construction Contracts

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

(b) Property Development Revenue

Revenue from property development is recognised from the sale of completed and uncompleted development properties.

Revenue from sale of completed properties is recognised when the sale is contracted.

Revenue on uncompleted properties contracted for sale is recognised based on the stage of completion method unless the outcome of the development cannot be reliably determined in which case the revenue on the development is only recognised to the extent of development costs incurred that are recoverable.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.27 Revenue and Other Income (Cont'd)

(b) *Property Development Revenue (Cont'd)*

The stage of completion is determined based on the proportion that the development costs incurred for work performed to date bear to the estimated total development costs.

Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the development will result in a loss.

(c) *Sale of Goods*

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns, cash and trade discounts.

(d) *Management Fee and Administrative Charges*

Management fee and administrative charges are recognised on an accrual basis.

(e) *Rental Income*

Rental income is accounted for on a straight-line method over the lease term.

(f) *Dividend Income*

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

(g) *Interest Income*

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

Interest income on late payment is recognised on a receipt basis.

(h) *Water Concession*

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

4.28 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.29 Warrants

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

4.30 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:

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

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

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2016 RM	2015 RM
Unquoted shares, at cost	105,657,850	105,657,851
Amount owing by subsidiaries	31,982,311	31,982,311
	137,640,161	137,640,162
Allowance for impairment loss	(8,710,000)	(5,710,000)
	128,930,161	131,930,162
Allowance for impairment loss:-		
At 1 June	(5,710,000)	(3,710,000)
Addition during the financial year (Note 35)	(3,000,000)	(2,000,000)
At 31 May	(8,710,000)	(5,710,000)

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

During the financial year, an impairment loss of RM3,000,000 (2015 – RM2,000,000), representing the write-down of the investment in subsidiaries to their recoverable amounts, was recognised in "Other Expenses" line item of the statement of profit or loss. The recoverable amounts were determined based on their value in use approach and the post-tax discount rate used were 7.0% (2015 – 7.5%).

The details of the subsidiaries are as follows:-

Name of subsidiaries	Principal Place of Business	Equity interest held 2016	Equity interest held 2015	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	100%	100%	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
Gadang Construction Sdn Bhd	Malaysia	100%	100%	Earthwork, building and civil engineering construction works
Regional Utilities Sdn Bhd and its subsidiaries *	Malaysia	100%	100%	Investment holding
Asian Energy Pte Ltd *	Singapore	-	100%	Liquidated
Asian Utilities Pte Ltd * and its subsidiaries	Singapore	100%	100%	Investment holding
Green Water Investment Pte Ltd *	Singapore	-	100%	Liquidated
PT Taman Tirta Sidoarjo *	Indonesia	95%	95%	Water concession
PT Bintang Hytien Jaya *	Indonesia	95%	95%	Water concession
PT Hanarida Tirta Birawa *	Indonesia	95%	95%	Water concession
PT Ikhwan Mega Power *	Indonesia	60%	60%	Power concession

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Principal Place of Business	Equity interest held 2016	Equity interest held 2015	Principal activities
Regional Utilities Sdn Bhd and its subsidiaries * (Cont'd)				
Asian Utilities Pte Ltd * and its subsidiaries (Cont'd)				
PT Dewata Bangun Tirta *	Indonesia	95%	85%	Water concession
PT Hidronusa Rawan Energi *	Indonesia	80%	80%	Power concession
Datapuri Sdn Bhd	Malaysia	51%	51%	Provision of mechanical and electrical engineering services
Mandy Corporation Sdn Bhd	Malaysia	100%	100%	Property development, building and civil engineering contractor
Achwell Property Sdn Bhd	Malaysia	100%	100%	Property development
Gadang Land Sdn Bhd and its subsidiaries	Malaysia	100%	100%	Property development, provision of 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
Splendid Pavilion Sdn Bhd *	Malaysia	100%	100%	Property development
Natural Domain Sdn Bhd	Malaysia	100%	100%	Property development
Crimson Villa Sdn Bhd *	Malaysia	100%	100%	Property development
Elegance Sonata Sdn Bhd *	Malaysia	100%	100%	Property development

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Principal Place of Business	Equity interest held 2016	Equity interest held 2015	Principal activities
Gadang Land Sdn Bhd and its subsidiaries (Cont'd)				
Hillstrand Development Sdn Bhd	Malaysia	100%	100%	Property development
Detik Tiara Sdn Bhd	Malaysia	100%	100%	Property development
Skyline Symphony Sdn Bhd *	Malaysia	100%	100%	Property development
Tema Warisan Sdn Bhd *	Malaysia	100%	100%	Dormant
Prelude Avenue Sdn Bhd *	Malaysia	100%	100%	Property development
Gadang Properties Sdn Bhd and its subsidiary	Malaysia	100%	100%	Property development and investment holding
Buildmark Sdn Bhd *	Malaysia	100%	100%	Property development
Flora Masyhur Sdn Bhd* and its subsidiary	Malaysia	100%	100%	Property development
Camar Ajaib Sdn Bhd	Malaysia	100%	100%	Property development
Gadang International (HK) Ltd *	Hong Kong	-	100%	Liquidated
GLP Resources (M) Sdn Bhd and its subsidiaries *	Malaysia	100%	100%	Dormant
GLP Manufacturing (M) Sdn Bhd *	Malaysia	100%	100%	Dormant
GLP Paints (M) Sdn Bhd*	Malaysia	100%	100%	Under member's voluntary liquidation
Gadang Plantations Holdings Sdn Bhd* and its subsidiaries	Malaysia	100%	100%	Investment holding
Desiran Impian Sdn Bhd	Malaysia	100%	100%	Oil palm plantation
Jauhari Mahir Sdn Bhd *	Malaysia	100%	100%	Dormant

** Not audited by Messrs. Crowe Horwath.*

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Changes in the Group Structure during the financial year

A. Voluntary Strike-Off

(i) On 13 July 2015, the names of the Company's two (2) dormant indirect wholly-owned subsidiaries, Green Water Investment Pte. Ltd. and Asian Energy Pte. Ltd. have been struck off from the register of the Accounting and Corporate Regulatory Authority Singapore ("ACRA").

(ii) On 18 March 2016, the Company's wholly-owned subsidiary, Gadang International (HK) Limited ("GIHKL") has been deregistered pursuant to an application for voluntary deregistration made by GIHKL to the Companies Registry of Hong Kong.

B. Acquisition of Non-controlling Interest

On 26 August 2015, the Company's indirect wholly-owned subsidiary, Asian Utilities Pte. Ltd. ("AUPL") completed its acquisition of an additional 300 shares representing 10% of the equity interest in PT. Dewata Bangun Tirta ("PTDBT") from the minority shareholders for a total cash consideration of IDR1.0 billion. Following the acquisition, AUPL's equity interest in PTDBT increased from 85% to 95%.

The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest		The Group	
	2016	2015	2016	2015
	%	%	RM	RM
Datapuri Sdn Bhd	49	49	2,982,643	2,667,004
PT Hidronusa Rawan Energi	20	20	1,971,100	1,831,165
Other individual immaterial subsidiaries			2,310,301	2,531,398
			7,264,044	7,029,567

The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	Datapuri Sdn Bhd	
	2016	2015
	RM	RM
At 31 May		
Non-current assets	2,160,721	1,845,485
Current assets	20,445,728	10,254,061
Non-current liabilities	(2,576,101)	(2,508,770)
Current liabilities	(13,943,322)	(4,147,909)
Net assets	6,087,026	5,442,867

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

	Datapuri Sdn Bhd	
	2016 RM	2015 RM
Financial year ended 31 May		
Revenue	26,649,669	22,361,775
Profit for the financial year	644,159	2,433,795
Total comprehensive income	644,159	2,433,795
Total comprehensive income attributable to non-controlling interests	315,638	1,192,560
Net cash flows from/(for) operating activities	1,229,962	(4,711,620)
Net cash flows from/(for) investing activities	64,977	115,335
Net cash flows from/(for) financing activities	1,935,585	(129,320)

	PT Hidronusa Rawan Energi	
	2016 RM	2015 RM
At 31 May		
Non-current assets	1,612,467	1,130,603
Current assets	8,256,464	8,039,771
Current liabilities	(13,431)	(14,543)
Net assets	9,855,500	9,155,831
Financial year ended 31 May		
Revenue	-	-
Profit/Loss for the financial year	(126,251)	14,884
Total comprehensive income/(loss)	(126,251)	14,938
Net cash flows from/(for) operating activities	(193,747)	(213,931)
Net cash flows from/(for) investing activities	(319,701)	(234,877)
Net cash flows from/(for) financing activities	(130,817)	1,424,824

6. INVESTMENT IN AN ASSOCIATE

	The Group	
	2016 RM	2015 RM
Unquoted shares, at cost	25	25
Share of post-acquisition reserves	(25)	(25)
	-	-

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

6. INVESTMENT IN AN ASSOCIATE (CONT'D)

The details of the associate are as follows:-

Name of associate	Principal Place of Business	Equity interest held 2016	Equity interest held 2015	Principal activity
Maha Abadi Sdn Bhd	Malaysia	25%	25%	Dormant

7. CONCESSION ASSETS

	The Group 2016 RM	The Group 2015 RM
At cost:-		
At 1 June	62,735,797	41,530,561
Acquisition of subsidiaries	-	16,473,626
Additions	13,730,834	4,309,489
Foreign exchange difference	4,021,877	422,121
	80,488,508	62,735,797
Accumulated depreciation		
At 1 June	(16,398,897)	(13,488,739)
Acquisition of subsidiaries	-	(898,153)
Charge for the financial year (Note 35)	(756,462)	(1,882,150)
Foreign exchange difference	(1,708,857)	(129,855)
	(18,864,216)	(16,398,897)
Accumulated impairment loss		
At 1 June	(285,244)	(8,505)
Additions during the financial year (Note 35)	-	(275,678)
Foreign exchange difference	(25,744)	(1,061)
	(310,988)	(285,244)
At 31 May	61,313,304	46,051,656

Included in the concession assets are lands and buildings with an aggregate carrying value of RM7,459,992 (2015 – RM4,247,263) pledged to licensed banks as security for credit facilities granted to subsidiaries as disclosed in Note 27 to the financial statements.

In the previous financial year, an impairment loss of RM275,678, representing the write-down of the concession assets to their recoverable amount was recognised in "Other Expenses" line item of the statement of profit or loss as disclosed in Note 35 to the financial statements.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fitings RM	Motor vehicles RM	Renovation RM	Total RM
31 May 2016										
Cost/Valuation										
At 1 June 2015	2,860,000	144,000	10,436,483	146,245,838	8,927,656	3,854,641	1,930,614	16,253,373	1,750,277	192,402,882
Additions	-	-	-	6,259,500	1,859,304	90,165	56,136	879,406	-	9,144,511
Disposals/Writeoffs	-	-	-	(8,550,206)	(2,779,819)	(1,008,602)	(88,971)	(1,837,173)	(87,858)	(14,352,629)
Foreign exchange difference	-	-	1,800	-	-	(19,105)	(935)	43,277	(77,334)	(52,297)
At 31 May 2016	2,860,000	144,000	10,438,283	143,955,132	8,007,141	2,917,099	1,896,844	15,338,883	1,585,085	187,142,467
Representing:										
At cost	-	144,000	2,005,134	143,955,132	8,007,141	2,917,099	1,896,844	15,338,883	1,585,085	175,849,318
At valuation	2,860,000	-	8,433,149	-	-	-	-	-	-	11,293,149
	2,860,000	144,000	10,438,283	143,955,132	8,007,141	2,917,099	1,896,844	15,338,883	1,585,085	187,142,467

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fitings RM	Motor vehicles RM	Renovation RM	Total RM
31 May 2016										
Accumulated depreciation										
At 1 June 2015	-	17,280	3,226,540	69,300,081	7,508,557	2,413,056	1,433,769	10,121,750	1,136,392	95,157,425
Charge for the financial year										
- recognised in profit or loss (Note 35)	-	1,920	408,628	105,445	479,899	215,068	84,237	1,687,472	180,892	3,163,561
- recognised in cost of sales (Note 33)	-	-	-	19,884,617	85,710	34,822	1,541	307,260	-	20,313,950
	-	1,920	408,628	19,990,062	565,609	249,890	85,778	1,994,732	180,892	23,477,511
Disposals/Writeoffs	-	-	-	(6,275,894)	(2,767,540)	(983,390)	(88,035)	(1,723,608)	(87,839)	(11,926,306)
Foreign exchange difference	-	-	555	-	-	(34,016)	(783)	19,170	(77,334)	(92,408)
At 31 May 2016	-	19,200	3,635,723	83,014,249	5,306,626	1,645,540	1,430,729	10,412,044	1,152,111	106,616,222

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fitings RM	Motor vehicles RM	Renovation RM	Total RM
31 May 2016										
Accumulated impairment loss										
At 1 June 2015	-	-	-	4,183,205	-	887	-	-	-	4,184,092
Disposals/Writeoffs	-	-	-	(82,023)	-	-	-	-	-	(82,023)
Foreign exchange difference	-	-	-	-	-	80	-	-	-	80
At 31 May 2016	-	-	-	4,101,182	-	967	-	-	-	4,102,149
Carrying value										
At cost	-	124,800	1,155,400	56,839,701	2,700,515	1,270,592	466,115	4,926,839	432,974	67,916,936
At valuation	2,860,000	-	5,647,160	-	-	-	-	-	-	8,507,160
	2,860,000	124,800	6,802,560	56,839,701	2,700,515	1,270,592	466,115	4,926,839	432,974	76,424,096

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fitings RM	Motor vehicles RM	Renovation RM	Total RM
31 May 2015										
Cost/Valuation										
At 1 June 2014	2,860,000	144,000	10,265,797	101,432,313	8,950,386	3,260,321	1,904,003	14,456,055	1,084,614	144,357,489
Acquisition of subsidiaries	-	-	19,152	-	-	16,258	-	-	-	35,410
Reclassifications	-	-	-	-	-	32,728	(32,728)	-	-	-
Additions	-	-	150,743	48,084,800	112,910	556,410	60,288	3,044,714	665,558	52,675,423
Disposals/Writeoffs	-	-	-	(3,271,275)	(135,640)	(14,116)	(949)	(1,249,891)	-	(4,671,871)
Foreign exchange difference	-	-	791	-	-	3,040	-	2,495	105	6,431
At 31 May 2015	2,860,000	144,000	10,436,483	146,245,838	8,927,656	3,854,641	1,930,614	16,253,373	1,750,277	192,402,882
Representing:										
At cost	-	144,000	2,003,334	146,245,838	8,927,656	3,854,641	1,930,614	16,253,373	1,750,277	181,109,733
At valuation	2,860,000	-	8,433,149	-	-	-	-	-	-	11,293,149
	2,860,000	144,000	10,436,483	146,245,838	8,927,656	3,854,641	1,930,614	16,253,373	1,750,277	192,402,882

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fitings RM	Motor vehicles RM	Renovation RM	Total RM
31 May 2015										
Accumulated depreciation										
At 1 June 2014	-	15,360	2,813,724	55,456,744	7,291,823	2,199,526	1,352,148	9,075,211	894,409	79,098,945
Acquisition of subsidiaries	-	-	3,591	-	-	16,156	-	-	-	19,747
Charge for the financial year										
- recognised in profit or loss (Note 35)	-	1,920	409,070	9,518	269,381	174,322	81,029	1,903,561	241,877	3,090,678
- recognised in cost of sales (Note 33)	-	-	-	17,075,496	82,980	30,964	1,541	301,775	-	17,492,756
	-	1,920	409,070	17,085,014	352,361	205,286	82,570	2,205,336	241,877	20,583,434
Disposals/Writeoffs	-	-	-	(3,241,677)	(135,627)	(10,327)	(949)	(1,160,245)	-	(4,548,825)
Foreign exchange difference	-	-	155	-	-	2,415	-	1,448	106	4,124
At 31 May 2015	-	17,280	3,226,540	69,300,081	7,508,557	2,413,056	1,433,769	10,121,750	1,136,392	95,157,425

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fitings RM	Motor vehicles RM	Renovation RM	Total RM
31 May 2015										
Accumulated impairment loss										
At 1 June 2014	-	-	-	4,183,205	-	881	-	-	-	4,184,086
Foreign exchange difference	-	-	-	-	-	6	-	-	-	6
At 31 May 2015	-	-	-	4,183,205	-	887	-	-	-	4,184,092
Carrying value										
At cost	-	126,720	1,394,120	72,762,552	1,419,099	1,440,698	496,845	6,131,623	613,885	84,385,542
At valuation	2,860,000	-	5,815,823	-	-	-	-	-	-	8,675,823
	2,860,000	126,720	7,209,943	72,762,552	1,419,099	1,440,698	496,845	6,131,623	613,885	93,061,365

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company	Furniture and fittings RM	Office equipment RM	Total RM
31 May 2016			
Cost			
At 1 June 2015	37,653	321,314	358,967
Additions	-	3,744	3,744
Disposal/Writeoffs	(4,749)	(12,572)	(17,321)
At 31 May 2016	32,904	312,486	345,390
Accumulated depreciation			
At 1 June 2015	18,040	125,862	143,902
Charge for the financial year (Note 35)	3,357	25,736	29,093
Disposal/Writeoffs for the year	(4,159)	(11,265)	(15,424)
At 31 May 2016	17,238	140,333	157,571
Carrying value at cost	15,666	172,153	187,819
31 May 2015			
Cost			
At 1 June 2014	36,103	196,418	232,521
Additions	1,550	127,096	128,646
Disposal/Writeoffs	-	(2,200)	(2,200)
At 31 May 2015	37,653	321,314	358,967
Accumulated depreciation			
At 1 June 2014	14,606	105,610	120,216
Charge for the financial year (Note 35)	3,434	22,451	25,885
Disposal/Writeoffs for the year	-	(2,199)	(2,199)
At 31 May 2015	18,040	125,862	143,902
Carrying value at cost	19,613	195,452	215,065

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

The Group	Freehold land RM	Building RM
31 May 2016		
Carrying value	986,686	4,184,320
31 May 2015		
Carrying value	986,686	4,305,533

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

	The Group 2016 RM	The Group 2015 RM
Plant and machinery	24,367,754	26,178,694
Motor vehicles	4,099,985	5,713,937
	28,467,739	31,892,631

(c) Land and building of the Group with an aggregate carrying value of RM713,087 (2015 – RM728,257) are pledged to a licensed bank as security for credit facility granted to a subsidiary as disclosed in Note 27 to the financial statements.

9. BIOLOGICAL ASSETS

	The Group 2016 RM	The Group 2015 RM
At cost:-		
At 1 June	12,445,863	11,771,382
Additions	497,326	1,059,012
Amortisation during the financial year (Note 35)	(449,773)	(384,531)
At 31 May	12,493,416	12,445,863

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

10. INVESTMENT PROPERTIES

	The Group	
	2016 RM	2015 RM
Cost		
At 1 June/31 May	19,743,560	19,743,560
Accumulated depreciation		
At 1 June	641,014	383,071
Charge for the financial year (Note 35)	257,943	257,943
At 31 May	898,957	641,014
Accumulated impairment loss		
At 1 June	-	-
Addition during the financial year (Note 35)	1,800,000	-
At 31 May	1,800,000	-
Net carrying value	17,044,603	19,102,546
Represented by:		
Freehold lands	222,800	222,800
Leasehold lands	13,810,203	13,963,546
Building	3,011,600	4,916,200
	17,044,603	19,102,546

Investment properties with an aggregate carrying value of RM12,032,653 (2015 - RM14,036,386) are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 27 to the financial statements.

During the financial year, an impairment loss of RM1,800,000 (2015 – Nil), representing the write-down of the investment properties to their recoverable amount was recognised in "Other Expenses" line item of the statement of profit or loss as disclosed in Note 35 to the financial statements.

The fair values of the investment properties of the Group as at the reporting date are estimated at RM26,645,335 (2015 – RM26,111,276) based on directors' assessment of the current prices in an active market for the respective properties within each vicinity.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

11. LAND HELD FOR PROPERTY DEVELOPMENT

	The Group	
	2016 RM	2015 RM
At 1 June	-	-
Transfer from/(to):-		
- property development costs (Note 16)	3,881,416	-
At 31 May	3,881,416	-
Represented by:		
Freehold land	3,693,200	-
Development costs	188,216	-
	3,881,416	-

Land held for property development of the group is pledged to a licensed bank as security for credit facility granted to a subsidiary as disclosed in Note 27 to the financial statements.

12. OTHER INVESTMENTS

	The Group	
	2016 RM	2015 RM
Available-for-sale		
Unquoted shares, at cost	100,000	100,000
Investment in golf club membership		
At 1 June	-	63,000
Disposal	-	(63,000)
At 31 May	-	-
	100,000	100,000
Accumulated impairment loss		
At 1 June	-	(25,000)
Disposal during the financial year	-	25,000
At 31 May	-	-
	100,000	100,000

Investments in unquoted shares of the Group are designated as available-for-sale financial assets but are stated at cost as their fair values cannot be reliably measured using valuation techniques due to the lack of marketability of the shares.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

13. GOODWILL ON CONSOLIDATION

	The Group	
	2016 RM	2015 RM
Cost		
At 1 June	35,860,876	28,289,052
Acquisition of subsidiaries (Note 42)	-	7,396,879
Foreign exchange difference	972,769	174,945
At 31 May	36,833,645	35,860,876
Accumulated impairment		
At 1 June	(19,143,395)	(19,141,871)
Addition during the financial year (Note 35)	-	(1,524)
At 31 May	(19,143,395)	(19,143,395)
Carrying value	**17,690,250**	**16,717,481**

(a) The carrying amounts of goodwill allocated to each cash-generating unit are as follows:-

	The Group	
	2016 RM	2015 RM
Property development	5,939,203	5,939,203
Power concession	5,356,092	4,912,707
Water concession	6,394,955	5,865,571
	17,690,250	16,717,481

(b) The Group has assessed the recoverable amounts of goodwill allocated and determined that no additional impairment is required. The recoverable amounts of the cash-generating units are determined using the value-in-use approach, and this is derived from the present value of the future cash flows from the operating segments computed based on the projections of financial budget approved by management covering a period of 5 years and throughout the concession period. The key assumptions used in the determination of the recoverable amounts are as follows:

	Gross Margin		Growth Rate		Discount Rate	
	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Property development	90	90	5	5	9	8
Water concession	52 - 79	41 - 79	5 - 12	5 - 12	13	11
Power concession	95 - 96	95 - 96	5 - 12	5 - 12	13	11

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

13. GOODWILL ON CONSOLIDATION (CONT'D)

(b) (i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements and cost saving measures.

(ii) Growth rate

The forecast and projection reflect management expectation of revenue growth, operating costs and margins for cash-generating units based on past experience. The increment in tariff rate is in accordance with Concession Agreement.

(iii) Discount rate

The discount rate used is pre-tax and reflects specific risks relating to the relevant segments.

The values assigned to the key assumption represent management's assessment of future trends in the cash-generating units and are based on both external sources and internal historical data. Terminal value is not considered as the projections are prepared based on remaining concession period granted and construction period.

(c) Sensitivity to changes in assumptions

The management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the goodwill to be materially higher than its recoverable amount.

14. DEFERRED TAX LIABILITIES/(ASSETS)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 June	4,674,399	10,049,033	-	23,861
Recognised in profit or loss (Note 39)	(13,884,601)	(5,528,643)	-	(23,861)
Acquisition of subsidiaries	-	136,246	-	-
Foreign exchange difference	7,897	17,763	-	-
At 31 May	(9,202,305)	4,674,399	-	-
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	11,238,312	8,876,072	-	-
Deferred tax assets	(20,440,617)	(4,201,673)	-	-
	(9,202,305)	4,674,399	-	-

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

14. DEFERRED TAX LIABILITIES/(ASSETS) (CONT'D)

Deferred tax assets and liabilities are attributable to the following items:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Deferred tax assets:-				
Accretion on receivables	(422,761)	(1,448,809)	-	-
Unrealised profit on contract works	(298,649)	(2,634,598)	-	-
Unabsorbed tax losses	(3,778,415)	(3,158,112)	-	-
Unabsorbed capital allowances	(2,298,366)	(2,147,399)	-	-
Foreseeable losses	(1,531,825)	-	-	-
Provisions	(12,425,898)	-	-	-
Others	(620,094)	(287,171)	-	-
Deferred tax assets (before offsetting)	(21,376,008)	(9,676,089)	-	-
Offsetting	935,391	5,474,416	-	-
Deferred tax assets (after offsetting)	(20,440,617)	(4,201,673)	-	-
Deferred tax liabilities:-				
Accelerated capital allowances over:				
- depreciation	7,342,086	8,470,418	-	-
- biological assets	1,659,276	1,563,706	-	-
Accretion on payables	1,001,887	1,948,778	-	-
Realisation of revaluation reserve on land	2,144,950	2,367,586	-	-
Others	25,504	-	-	-
Deferred tax liabilities (before offsetting)	12,173,703	14,350,488	-	-
Offsetting	(935,391)	(5,474,416)	-	-
Deferred tax liabilities (after offsetting)	11,238,312	8,876,072	-	-

The recognition of the deferred tax assets are dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The evidence used to support this recognition is management's budget approved by the directors, which shows that it is probable that the deferred tax assets would be realised in the future financial years.

At the end of the reporting period, the Group has unutilised tax losses and unabsorbed capital allowances of RM4,523,715 (2015 – RM6,634,347) and RM1,364,705 (2015 - RM1,853,512) respectively that are available for offset against future taxable profits of the subsidiaries in which the losses arose. No deferred tax assets are recognised in respect of this item as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary differences can be utilised. The unutilised tax losses and unabsorbed capital allowances do not expire under current tax legislation. However, the availability of unutilised tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholding of these subsidiaries under the Income Tax Act 1967 and guidelines issued by the tax authority.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

15. INVENTORIES

	The Group 2016 RM	The Group 2015 RM
At cost:-		
Raw materials	147,455	77,848
Unsold completed properties	3,205,466	3,205,466
	3,352,921	3,283,314

There is no write-down on the carrying value of the inventories.

16. PROPERTY DEVELOPMENT COSTS

	Freehold lands RM	Leasehold lands RM	Development costs RM	Total RM
The Group				
At 31 May 2016				
Cumulative Property Development Cost				
At 1 June 2015	47,440,123	68,664,128	179,717,053	295,821,304
Cost incurred during the financial year	248,176,359	-	153,056,990	401,233,349
Transfer to land held for property development (Note 11)	(3,693,200)	-	(188,216)	(3,881,416)
Reversal of completed projects	(11,987,940)	-	(11,551,455)	(23,539,395)
At 31 May 2016	279,935,342	68,664,128	321,034,372	669,633,842
Cumulative Costs recognised in profit or loss				
At 1 June 2015	(7,653,216)	(2,952,111)	(85,167,662)	(95,772,989)
Cost recognised during the financial year	(10,940,027)	(4,820,348)	(96,616,781)	(112,377,156)
Foreseeable losses	-	-	(206,905)	(206,905)
Reversal of completed projects	11,987,940	-	11,551,455	23,539,395
At 31 May 2016	(6,605,303)	(7,772,459)	(170,439,893)	(184,817,655)
Property Development cost at 31 May 2016	273,330,039	60,891,669	150,594,479	484,816,187

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

16. PROPERTY DEVELOPMENT COSTS (CONT'D)

	Freehold lands RM	Leasehold lands RM	Development costs RM	Total RM
The Group				
At 31 May 2015				
Cumulative Property Development Cost				
At 1 June 2014	48,538,271	35,554,128	175,031,444	259,123,843
Cost incurred during the financial year	3,902,481	33,110,000	88,979,716	125,992,197
Reversal of completed projects	(5,000,629)	-	(84,294,107)	(89,294,736)
At 31 May 2015	47,440,123	68,664,128	179,717,053	295,821,304
Cumulative Costs recognised in profit or loss				
At 1 June 2014	(4,384,119)	(857,665)	(116,221,773)	(121,463,557)
Cost recognised during the financial year	(8,269,726)	(2,094,446)	(47,902,957)	(58,267,129)
Reversal of completed projects	5,000,629	-	84,294,107	89,294,736
Unsold units transferred to inventories	-	-	(5,337,039)	(5,337,039)
At 31 May 2015	(7,653,216)	(2,952,111)	(85,167,662)	(95,772,989)
Property Development cost at 31 May 2015	39,786,907	65,712,017	94,549,391	200,048,315

(a) Included in development expenditure is interest expense capitalised during the financial year amounting to RM7,448,041 (2015 – RM5,480,844).

(b) The lands under development of the Group with an aggregate carrying value of RM191,123,556 (2015 – RM107,859,620) are pledged to financial institutions for banking facilities granted to the Group as disclosed in Note 27 to the financial statements.

(c) Included in development expenditure is land proprietor's entitlement of the Group committed through the Joint Development Agreement with Cyberview Sdn Bhd to undertake the proposed development measuring 121.49 acres of land held under H.S.(D) 33156 PT No.47223, Mukim Dengkil, District of Sepang, State of Selangor amounting to RM141,529,386 (2015 – Nil). The title deeds in respect of the land proprietor's entitlement are not registered under the subsidiary's name as these title deeds will be transferred directly to the purchasers upon sale of the properties.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

17. TRADE AND NON-TRADE RECEIVABLES

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Trade receivables	51,046,499	87,384,219	-	-
Retention sums	17,481,370	33,067,803	-	-
Accrued billings on contracts for property development costs	36,996,124	18,249,606	-	-
Less: Impairment loss				
At 1 June	(502)	(6,405)	-	-
Additions during the financial year	(588,788)	-	-	-
Written off	-	5,903	-	-
At 31 May	(589,290)	(502)	-	-
Less: Accretion of interest				
At 1 June	(6,171,570)	-	-	-
(Additions)/Reversal during the financial year	4,664,520	(6,171,570)	-	-
At 31 May	(1,507,050)	(6,171,570)	-	-
Trade receivables, net	103,427,653	132,529,556	-	-
Amount owing by subsidiaries (Note 18)	-	-	102,539,141	73,038,315
Non-trade receivables	54,994,975	17,706,411	3,220	4,570
Prepayments	2,579,890	2,318,469	150,809	89,146
Deposits	7,158,767	13,553,261	1,000	1,000
Advances to subcontractors	7,617,619	13,038,227	-	-
	72,351,251	46,616,368	102,694,170	73,133,031
Less: Impairment loss				
At 1 June	-	-	-	(572,798)
Additions during the financial year	(614,402)	-	-	(90,051)
Written off	-	-	-	662,849
At 31 May	(614,402)	-	-	-
Less: Accretion of interest				
At 1 June	(259,036)	(248,578)	(1,534,369)	(61,400)
(Additions)/Reversal during the financial year:				
- non-trade receivables	3,980	(10,458)	-	-
- amount owing by subsidiaries	-	-	(86,242)	(1,472,969)
At 31 May	(255,056)	(259,036)	(1,620,611)	(1,534,369)
Trade and non-trade receivables	174,909,446	178,886,888	101,073,559	71,598,662

17. TRADE AND NON-TRADE RECEIVABLES (CONT'D)

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

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Current asset:				
Receivables within one year	172,549,667	178,274,469	94,594,170	66,483,031
Non-current asset:				
Receivables more than one year but less than five years	2,359,779	612,419	6,479,389	5,115,631
	174,909,446	178,886,888	101,073,559	71,598,662

The Group's normal trade credit terms range from 30 to 90 days (2015 - 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

18. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company	
	2016	2015
	RM	RM
Amount owing by subsidiaries:		
Current portion:		
Trade balances	1,905,824	1,954,278
Non-trade balances	92,533,317	64,434,037
	94,439,141	66,388,315
Non-current portion:		
Non-trade balances	8,100,000	6,650,000
Less: Accretion of interest	(1,620,611)	(1,534,369)
	6,479,389	5,115,631
	100,918,530	71,503,946
Amount owing to a subsidiary:		
Current portion:		
Non-trade balances	-	(112,954)

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

18. AMOUNTS OWING BY/(TO) SUBSIDIARIES (CONT'D)

The trade balances are subject to the normal trade credit terms ranging from 30 to 90 days (2015 - 30 to 90) days.

The non-trade balances (current) represent balances which are unsecured, interest free and repayable on demand.

The non-trade balances (non-current) represent balances which are unsecured, interest free and repayable within the next five years.

19. AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

	The Group	
	2016 RM	2015 RM
Construction contract costs incurred to date	1,632,260,631	1,337,297,136
Attributable profits	161,988,983	112,714,616
Less: Foreseeable losses	(6,382,606)	-
	1,787,867,008	1,450,011,752
Less: Progress billings	(1,780,781,595)	(1,505,087,751)
Due by/(to) customers on contract work-in-progress	7,085,413	(55,075,999)
Represented by:		
Amount owing by contract customers	50,752,851	13,287,011
Amount owing to contract customers	(43,667,438)	(68,363,010)
	7,085,413	(55,075,999)

20. SHORT TERM FUNDS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At fair value through profit or loss				
Investments in fixed income trust funds	106,635,459	-	43,713,115	-

Investment in fixed income trust funds represent investments in highly liquid money market instruments, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

21. DEPOSITS WITH LICENSED BANKS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Deposits with licensed banks	86,150,624	122,414,901	32,869,479	36,253,862

The effective interest rates of the deposits with licensed banks range from 2.70% to 9.25% (2015 - 2.10% to 9.25%) per annum. The short-term deposit has maturity periods ranging from 1 month to 12 months (2015 - 1 month to 12 months).

Included in the fixed deposits with licensed banks of the Group and the Company at the end of the reporting period was an amount of RM55,631,131 and RM10,253,214 (2015 – RM57,696,671 and RM9,980,252) pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 26 to the financial statements.

22. CASH AND BANK BALANCES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances	101,495,291	110,246,695	17,823,573	11,605,455

Included in the cash and bank balances of the Group is an amount of RM15,580,915 (2015 – RM6,389,342) maintained under the Housing Development Accounts pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and are restricted from use in other operations.

23. SHARE CAPITAL

	The Company			
	2016		2015	
	Number of shares Unit	RM	Number of shares Unit	RM
Ordinary shares of RM1 each:				
Authorised	400,000,000	400,000,000	400,000,000	400,000,000
Issued and fully paid:				
At 1 June	216,369,443	216,369,443	196,691,218	196,691,218
Issuance of shares pursuant to:				
- private placement	23,511,000	23,511,000	19,669,900	19,669,900
- conversion of warrant exercised	18,742,935	18,742,935	8,325	8,325
At 31 May	258,623,378	258,623,378	216,369,443	216,369,443

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

23. SHARE CAPITAL (CONT'D)

During the financial year, the Company increased its issued and paid-up share capital from RM216,369,443 to RM258,623,378 by:-

(i) the allotment of 23,511,000 new ordinary shares of RM1.00 each at an issue price of RM1.85 per ordinary share for the purpose of working capital; and

(ii) the issuance of 18,742,935 new ordinary shares of RM1.00 each from the exercise of Warrants 2010/2015 at the exercise price of RM1.00 each in accordance with the Deed Poll dated 20 August 2010.

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

24. RESERVES

		The Group		The Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Non-distributable					
Warrant reserves	24(a)	-	6,173,370	-	6,173,370
Capital reserves	24(b)	1,346,681	1,346,681	-	-
Share premium	24(c)	38,041,453	12,736,117	38,041,453	12,736,117
Foreign exchange reserves	24(d)	(1,158,001)	(4,613,467)	-	-
		38,230,133	15,642,701	38,041,453	18,909,487
Distributable					
Retained profits		232,248,968	149,351,099	27,470,993	15,696,413
		270,479,101	164,993,800	65,512,446	34,605,900

(a) Warrant reserves

On 6 September 2010, the Company issued a Renounceable Two-Call Rights Issue of 78,677,194 new ordinary shares of RM1.00 each in the Company on the basis of 2 rights shares for every 3 existing shares of the Company together with 19,668,739 free detachable warrants on the basis of 1 warrant for every 4 rights shares held in the Company at an issue price of RM1.00 per rights shares, of which the first call of RM0.65 is payable in cash on application and the second call of RM0.35 is to be capitalised from the Company's share premium and retained profits accounts.

The Warrants 2010/2015 have an exercise price of RM1.00 per warrant. Warrants reserve is transferred to the share premium account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants period were transferred to retained profits.

24. RESERVES (CONT'D)

(b) Capital reserves

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

(c) Share premium

The movements in the share premium of the Group and of the Company are as follows:

	The Group/The Company	
	2016 RM	2015 RM
At 1 June	12,736,117	-
Issuance of shares	19,984,350	13,375,532
Conversion of warrant exercised	5,885,282	2,614
Share issuance expenses	(564,296)	(642,029)
At 31 May	38,041,453	12,736,117

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

(d) Foreign exchange reserves

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

25. NON-CONTROLLING INTERESTS

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parents and the non-controlling interest based on their respective ownership interest.

The movement in non-controlling interest in subsidiaries are as follows:

	The Group	
	2016 RM	2015 RM
At 1 June	7,029,567	3,194,248
Acquisition of subsidiaries	-	3,062,415
Share of results attributable to non-controlling interests	276,699	1,188,383
Changes in ownership interest in subsidiaries (effects of change in stake)	(42,222)	(415,479)
At 31 May	7,264,044	7,029,567

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

26. BANK BORROWINGS

	The Group 2016 RM	The Group 2015 RM
Current		
Secured:		
Bank overdrafts (Note 45)	6,146,311	4,867,175
Bankers' acceptances	1,085,000	8,916,138
Revolving credits	15,200,000	55,028,781
Term loans (Note 27)	23,702,147	22,899,504
Hire purchase payables (Note 28)	9,715,737	9,534,608
	55,849,195	101,246,206
Non-current		
Secured:		
Term loans (Note 27)	152,928,685	72,881,649
Hire purchase payables (Note 28)	14,043,150	18,884,599
	166,971,835	91,766,248
Total bank borrowings	222,821,030	193,012,454

The weighted average effective interest rates at the end of the reporting period for borrowings which bore interest at floating rates, were as follows:-

	The Group 2016 %	The Group 2015 %
Bank overdrafts	7.60	7.60
Bankers' acceptances	5.14	5.14-6.14
Revolving credits	4.75-5.98	5.43-6.07

The bank borrowings except for term loans are secured by:-

(i) assignment of the contract proceeds;

(ii) corporate guarantees of the Company; and

(iii) deposits with licensed banks of the Group and the Company as disclosed in Note 21 to the financial statements.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

27. TERM LOANS

	The Group 2016 RM	The Group 2015 RM
Current:		
- Not later than 1 year (Note 26)	23,702,147	22,899,504
Non-current:		
- Later than 1 year and not later than 2 years	34,700,374	4,889,821
- Later than 2 years and not later than 5 years	60,974,640	56,717,497
- Later than 5 years	57,253,671	11,274,331
Total non-current (Note 26)	152,928,685	72,881,649
	176,630,832	95,781,153

Details of the term loans outstanding at the end of the reporting period are as follows:-

	The Group 2016 RM	The Group 2015 RM
Term Loan		
I	19,800,000	19,800,000
II	4,848,073	6,266,360
III	13,696,783	4,563,872
IV	-	7,917,285
V	8,596,933	13,000,000
VI	-	12,717,463
VII	20,000,000	-
VIII	1,601,225	2,180,932
IX	6,255,210	8,750,000
X	2,100,000	-
XI	70,000,000	-
XII	13,963,300	18,174,100
XIII	667,026	1,340,090
XIV	871,987	952,651
XV	-	118,400
XVI	12,551,722	-
XVII	1,678,573	-
	176,630,832	95,781,153

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

27. TERM LOANS (CONT'D)

Term Loan	Interest Rate Per Annum	Date of Commencement of Repayment
I	5.85%	Upon redemption of units to be developed or by instalments, whichever is earlier
II	7.35%	October 2015
III	5.77%	Upon redemption of units to be developed or by instalments, whichever is earlier
IV	8.10%	June 2015
V	8.10%	February 2016
VI	8.10%	November 2016
VII	8.10%	August 2016
VIII	6.85%	November 2014
IX	8.43%	October 2011
X	8.43%	Upon redemption of units to be developed or by full settlement, whichever is earlier
XI	5.16%	Upon redemption of units to be developed or by instalments, whichever is earlier
XII	5.42%	October 2015
XIII	5.42%	April 2012
XIV	4.75%	February 2013
XV	13.50%	November 2010
XVI	4.46%	October 2015
XVII	13.60%	24th month from the date of first drawdown or 3 months after Commercial of Date, whichever is earlier

27. TERM LOANS (CONT'D)

(a) Term loan I has a tenure of 8 years and is repayable by redemption of units developed or 16 quarterly instalments of RM1,237,500 each, whichever is earlier. The term loan is secured by:-

(i) a charge over a piece of leasehold land which is included in the property development costs of a subsidiary as disclosed in Note 16 to the financial statements; and

(ii) a corporate guarantee of the Company

(b) Term loan II has a tenure of 20 years and is repayable by redemption of units sold or 204 monthly instalments of RM141,000 each commencing on October 2015, whichever is earlier. The term loan is secured by:-

(i) a first legal assignment or upon issuance of strata/individuals title, first party legal charge over the retail shop offices at Jentayu Residensi ("the Shop Offices");

(ii) a debenture over the fixed and floating assets of a subsidiary;

(iii) an assignment over the rental proceeds and/or sale proceeds from the Shop Offices; and

(iv) a corporate guarantee of the Company.

(c) Term loan III has a tenure of 9 years and is repayable by redemption of units sold or 23 monthly instalments of RM830,000 each and a final instalment of RM910,000 commencing on the 24th month of first drawdown in January 2015, whichever is earlier. The term loan is secured by:-

(i) a debenture over all present and future assets of a subsidiary;

(ii) an assignment of sales proceeds from the projects developed by a subsidiary; and

(iii) a corporate guarantee of the Company.

(d) Term loan IV has a tenure of 5 years and is repayable by redemption of units sold or 29 monthly instalments of RM566,667 each and a final instalment of RM566,657 commencing June 2015, whichever is earlier.

Term loan V has a tenure of 5 years and is repayable by redemption of units sold or 29 monthly instalment of RM433,334 each and a final instalment of RM433,314 commencing February 2016, whichever is earlier.

Term loan VI has a tenure of 3 years and is repayable by redemption of units sold or 17 monthly instalments of RM1,111,112 each and a final instalment of RM1,111,096 commencing November 2015, whichever is earlier.

Term loan VII has a tenure of 3 years and is repayable by redemption of units sold or 17 monthly instalments of RM1,120,000 each and a final instalment of RM960,000 commencing August 2015, whichever is earlier.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

27. TERM LOANS (CONT'D)

(d) The term loans are secured by way of:-

(i) a charge over a leasehold land which is included in the property development costs of a subsidiary as disclosed in Note 16 to the financial statements;

(ii) an assignment of sales proceeds from the proposed development;

(iii) limited debenture over the proposed development; and

(iv) a corporate guarantee of the Company.

The term loan IV and term loan VI were fully repaid during the financial year.

(e) Term loan VIII has a tenure of 6 years and is repayable by redemption of units sold or 48 monthly instalments of RM59,403 each commencing on November 2014, whichever is earlier. The term loan is secured by:-

(i) a charge over a piece of freehold land which is included in the land held for development of a subsidiary as disclosed in Note 11 to the financial statements; and

(ii) a corporate guarantee of the Company.

(f) Term loan IX has a tenure of 6 years and is repayable by redemption of units sold or in 72 monthly instalments of RM77,292 each commencing on October 2011, whichever is earlier.

Term loan X has a tenure of 2 years and is repayable by redemption of units sold or full settlement on the 24th month of first drawdown in April 2016, whichever is earlier.

The term loans are secured by:-

(i) a charge over a piece of freehold land which is included in the property development costs of a subsidiary as disclosed in Note 16 to the financial statements;

(ii) a debenture over the present and future assets of a subsidiary; and

(iii) a corporate guarantee of the Company and a subsidiary.

(g) Term loan XI has a tenure of 96 months and is repayable by redemption of units sold or 16 quarterly principal payments of RM4,375,000 each commencing on the 51st month from the date of first drawdown in October 2015, whichever is earlier. The term loan is secured by:-

(i) a charge over a piece of freehold land which is included in the property development costs of a subsidiary as disclosed in Note 16 to the financial statements; and

(ii) a corporate guarantee of the Company.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

27. TERM LOANS (CONT'D)

(h) Term loan XII has a tenure of 5 years and is repayable by 53 monthly instalments of RM350,900 each commencing on October 2015. The term loan is secured by:-

(i) a charge over leasehold lands which is included in the investment properties of a subsidiary as disclosed in Note 10 to the financial statements;

(ii) a corporate guarantee of the Company; and

(iii) a debenture over the assets financed under the term loan.

(i) Term loan XIII has a tenure of 5 years and is repayable by 20 quarterly instalments of RM169,000 each commencing on April 2012. The term loan is secured by:-

(i) a charge over a piece of freehold land and building which is included in the investment properties of a subsidiary as disclosed in Note 10 to the financial statements ; and

(ii) a corporate guarantee of the Company.

(j) Term loan XIV has a tenure of 20 years and is repayable by 240 monthly instalments of RM6,722 each commencing on February 2013. The term loan is secured by:-

(i) a charge over a piece of leasehold land and building which is included in the property, plant and equipment of a subsidiary as disclosed in Note 8 to the financial statements;

(ii) a joint and several guarantee of a director of a subsidiary; and

(iii) a corporate guarantee of the Company.

(k) Term loan XV has a tenure of 5 years and is repayable in 20 quarterly instalments of IDR142,478,745 each commencing on November 2010. The term loan is secured by:-

(i) a legal charge over the land and building located at Kota Tanggerang, Indonesia which is included in the concession assets of a subsidiary as disclosed in Note 7 to the financial statements; and

(ii) a corporate guarantee of the Company.

The loan was fully repaid during the financial year.

(l) Term loan XVI has a tenure of 33 months and is extendable for another 36 months at the end of the repayment period. The term loan is repayable in 11 quarterly instalments of USD145,834 each commencing on October 2015 and the balance lump sum settlement at the end of the repayment period. The term loan is secured by:-

(i) a corporate guarantee of the Company and subsidiary; and

(ii) a debenture over all the present and future assets of a subsidiary.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

27. TERM LOANS (CONT'D)

(m) Term loan XVII has a tenure of 120 months and is repayable in 32 quarterly step up principal instalment on 24th month from the date of first drawdown in April 2016 or 3 months after Commercial of Date, whichever is earlier. The term loan is secured by:-

(i) a charge over the land and building which is included in the concession assets of a subsidiary as disclosed in Note 7 to the financial statements;

(ii) an assignment of Power Purchase Agreement and receivable from Perusahaan Listrik Negara, Indonesia;

(iii) a specific debenture over the assets financed under the term loan; and

(iv) a corporate guarantee of the Company.

28. HIRE PURCHASE PAYABLES

	The Group	
	2016 RM	2015 RM
Minimum hire purchase payments:		
- not later than one year	10,974,897	11,181,223
- later than one year and not later than five years	15,055,023	20,490,288
- later than five years	243,706	-
	26,273,626	31,671,511
Less: Future finance charges	(2,514,739)	(3,252,304)
Present value of hire purchase payables	23,758,887	28,419,207
Current:		
- not later than one year (Note 26)	9,715,737	9,534,608
Non-Current:		
- later than one year and not later than five years	13,835,736	18,884,599
- later than five years	207,414	-
Total non-current (Note 26)	14,043,150	18,884,599
	23,758,887	28,419,207

The hire purchase payables at the end of the reporting period bore effective interest rates ranging from 4.46% to 7.07% (2015 - 4.46% to 7.24%) per annum.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

29. DEFINED BENEFIT OBLIGATIONS

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

Movement in the net liability recognised in the statements of financial position:

	Present value of unfunded obligations RM	Unrecognised actuarial losses RM	Unrecognised past service cost RM	Total RM
The Group				
At 1 June 2015	1,351,245	(63,409)	(59,025)	1,228,811
Effect of adopting FRS 119	(1,037)	63,409	59,025	121,397
As restated	1,350,208	-	-	1,350,208
Benefits paid for unfunded plans	(26,388)	-	-	(26,388)
Expense recognised in profit or loss (Note 36)	314,855	-	-	314,855
Actuarial loss recognised in other comprehensive income	127,195	-	-	127,195
Foreign currency differences	123,241	-	-	123,241
At 31 May 2016	1,889,111	-	-	1,889,111
At 1 June 2014	1,265,879	(40,397)	(6,652)	1,218,830
Effect of adopting FRS 119	74,971	40,397	6,652	122,020
As restated	1,340,850	-	-	1,340,850
Benefits paid for unfunded plans	(331,694)	-	-	(331,694)
Expense recognised in profit or loss (Note 36)	258,924	-	-	258,924
Actuarial loss recognised in other comprehensive income	72,380	-	-	72,380
Foreign currency differences	9,748	-	-	9,748
At 31 May 2015	1,350,208	-	-	1,350,208

Expenses recognised in profit or loss:

	The Group	
	2016 RM	2015 RM
Service cost	197,479	151,265
Interest cost	117,376	107,659
At 31 May	314,855	258,924

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

29. DEFINED BENEFIT OBLIGATIONS (CONT'D)

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

	The Group	
	2016	2015
Normal retirement age	55 years	55 years
Future salary increment rate	9% p.a.	9% p.a.
Discount rate	8% p.a.	8% p.a.

30. TRADE AND NON-TRADE PAYABLES

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Trade payables	30(a)	48,458,414	41,106,922	-	-
Retention payable		41,279,004	27,150,160	-	-
Accrued subcontractor work		54,723,787	51,322,153	-	-
Less: Accretion of interest					
At 1 June		(4,011,056)	-	-	-
(Addition)/ Reversal during the financial year		748,795	(4,011,056)	-	-
At 31 May		(3,262,261)	(4,011,056)	-	-
Trade payables, net		141,198,944	115,568,179	-	-
Non-trade payables	30(d)	148,736,162	17,072,073	17,095	82,129
Progress billings on contract for property development costs		30,396,017	19,273,952	-	-
Accruals		63,481,683	7,143,525	423,526	407,031
Deposits		1,203,005	191,670	-	-
Amount owing to a director	30(b)	1,251,783	3,010,697	-	-
Amount owing to a subsidiary	18	-	-	-	112,954
		245,068,650	46,691,917	440,621	602,114
Less: Accretion of interest					
At 1 June		(1,048,401)	(2,207,764)	-	-
(Addition)/Reversal:					
- amount owing to a director		569,765	35,729	-	-
- non-trade payables		(24,062)	1,123,634	-	-
At 31 May		(502,698)	(1,048,401)	-	-
Trade and non-trade payables		385,764,896	161,211,695	440,621	602,114

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

30. TRADE AND NON-TRADE PAYABLES (CONT'D)

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

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current liability:				
Payables within one year	254,838,394	159,117,424	440,621	602,114
Non-current liability:				
Payables more than one year and less than five years	130,926,502	2,094,271	-	-
	385,764,896	161,211,695	440,621	602,114

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

	The Group	
	2016 RM	2015 RM
Parties related to Tan Sri Dato' Kok Onn:		
- Kok Khim Boon (brother)	340,512	173,867
- Datapuri Sdn Bhd (nephew is a director and shareholder of the company)	381,116	-

(b) Amount owing to Raja Zainal Abidin Bin Raja Hussin, a director of a subsidiary, is unsecured, interest free and repayable within the next five years.

(c) The normal trade credit terms granted to the Group range from 30 to 90 (2015 - 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

(d) Included in non-trade payables is an amount of RM140,245,782 (2015 – Nil) in relation to land proprietor's entitlement as disclosed in Note 16(c) to the financial statements.

31. NET ASSETS PER ORDINARY SHARE

The net assets per ordinary share is calculated based on the net assets value of RM529,102,479 (2015 – RM381,363,243) attributable to ordinary shares divided by the number of ordinary shares in issue at the end of the reporting period of 258,623,378 (2015 - 216,369,443) shares.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

32. REVENUE

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Dividend income	-	-	25,100,000	16,600,000
Management fees	6,000	6,000	5,030,000	4,645,001
Rental income	204,000	161,841	-	-
Revenue from construction contracts	480,405,152	449,500,291	-	-
Revenue from water concession	20,899,896	16,682,471	-	-
Revenue from property development	172,014,277	119,714,608	-	-
Sales of oil palm fresh fruit bunches	1,874,279	1,332,760	-	-
	675,403,604	587,397,971	30,130,000	21,245,001

33. 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, cost of processing treated water and direct cost in oil palm cultivation.

The cost of sales included the following charges made during the financial year:

	The Group	
	2016 RM	2015 RM
Depreciation of property, plant and equipment (Note 8)	20,313,950	17,492,756
Employee benefits (Note 36)	35,866,161	30,137,247
Foreseeable losses	6,589,511	-
Hire of plant and machinery	149,189	6,551,299
Interest expense	3,238,273	4,895,939
Provision cost for completed projects	51,160,173	-
Rental of land and premises	841,615	441,488

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

34. OTHER INCOME

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Administrative fees	84,036	162,791	-	-
Accretion of interest on:				
- trade and non-trade receivables	4,668,500	560,167	-	-
- amounts owing by subsidiaries	-	-	-	13,768
- short term funds	-	-	5,782	-
- trade and non-trade payables	-	4,139,845	-	-
Bad debts recovered	-	273,113	-	-
Dividend received from short term funds	2,780,277	-	1,271,811	-
Gain on disposal of property, plant and equipment	1,904,536	961,309	-	-
Gain on bargain purchase	-	206,206	-	-
Interest income	4,312,802	5,286,454	946,276	1,553,217
Miscellaneous income	732,638	1,401,455	1,788	471
Realised gain on foreign exchange	154,218	-	-	-
Rental income	456,076	1,066,500	-	-
Sales of car park	117,000	1,770,000	-	-
Sales of scrap iron	60,314	123,360	-	-
Unrealised gain on foreign exchange	724,183	-	1,537,303	-
Waiver of liability	45,295	-	-	-
	16,039,875	15,951,200	3,762,960	1,567,456

35. PROFIT BEFORE TAXATION

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Profit before taxation is arrived at after charging/(crediting):-				
Accretion of interest on:				
- amounts owing by subsidiaries	-	-	86,242	1,486,737
- trade and non-trade receivables	-	6,742,195	-	-
- trade and non-trade payables	724,733	-	-	-
- amount owing to a director	569,765	35,729	-	-
Amortisation on biological assets (Note 9)	449,773	384,531	-	-
Auditors' remuneration				
- current year	399,330	353,075	52,000	52,000
- underprovision in previous year	86,195	7,457	11,060	-

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

35. PROFIT BEFORE TAXATION (CONT'D)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before taxation is arrived at after charging/(crediting):- (Cont'd)				
Bad debts written off	784	345	-	-
Depreciation of:				
- property, plant and equipment (Note 8)	3,163,561	3,090,678	29,093	25,885
- concession assets (Note 7)	756,462	1,882,150	-	-
- investment properties (Note 10)	257,943	257,943	-	-
Employee benefits (Note 36)	21,321,593	18,372,807	5,395,754	4,359,580
Impairment loss on:				
- amounts owing by subsidiaries	-	-	-	90,051
- concession assets (Note 7)	-	275,678	-	-
- goodwill (Note 13)	-	1,524	-	-
- investments in subsidiaries (Note 5)	-	-	3,000,000	2,000,000
- investment properties (Note 10)	1,800,000	-	-	-
- trade and non-trade receivables	1,203,190	-	-	-
Operating lease on:				
- land and building	665,753	668,276	202,392	202,392
- motor vehicle	45,150	1,600	-	-
Property, plant and equipment written off	132,525	31,938	1,897	1
Realised loss on foreign exchange	-	92,301	-	-
Unrealised loss on foreign exchange	-	1,435,643	-	693,023
Striking off of subsidiaries	8	-	1	-

36. EMPLOYEE BENEFITS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Salaries and other benefits	53,406,672	44,494,197	5,008,786	4,048,653
Contributions to:				
- defined contribution plan	3,466,227	3,756,933	386,968	310,927
- defined benefit obligations (Note 29)	314,855	258,924	-	-
	57,187,754	48,510,054	5,395,754	4,359,580

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016
(CONT'D)

36. EMPLOYEE BENEFITS (CONT'D)

Employee benefits are allocated as follows:-

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Cost of sales	35,866,161	30,137,247	-	-
Administrative expenses	21,321,593	18,372,807	5,395,754	4,359,580
	57,187,754	48,510,054	5,395,754	4,359,580

Included in employee benefits of the Group and of the Company are executive directors' remuneration amounting to RM6,123,281 (2015 – RM5,341,148) and RM1,718,070 (2015 - RM1,463,010) respectively as further disclosed in Note 37 to the financial statements.

37. DIRECTORS' REMUNERATION AND KEY MANAGEMENT PERSONNEL COMPENSATION

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	1,670,370	1,420,530	1,670,370	1,420,530
Defined contribution plan	47,700	42,480	47,700	42,480
	1,718,070	1,463,010	1,718,070	1,463,010
Non-executive:				
Director fees	220,000	220,000	220,000	220,000
Other emoluments	65,550	66,500	65,550	66,500
	285,550	286,500	285,550	286,500
	2,003,620	1,749,510	2,003,620	1,749,510
Directors of the subsidiaries				
Executive:				
Salaries and other emoluments	3,882,715	3,411,437	-	-
Director fees	179,089	149,097	-	-
Defined contribution plan	343,407	317,604	-	-
	4,405,211	3,878,138	-	-
Total directors' remuneration	6,408,831	5,627,648	2,003,620	1,749,510
Benefit-in-kind	50,300	30,300	4,800	4,875

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

37. DIRECTORS' REMUNERATION AND KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors of the subsidiaries (Cont'd)				
Total directors' remuneration including benefit-in-kind	6,459,131	5,657,948	2,008,420	1,754,385
Key Management Personnel				
Salaries and other emoluments	3,535,501	2,232,641	938,705	284,060
Defined contribution plan	373,475	241,540	107,764	33,780
Total key management personnel	3,908,976	2,474,181	1,046,469	317,840
Directors of the Company				
Executive:				
RM400,001 to RM450,000	-	1	-	1
RM500,001 to RM550,000	1	-	1	-
RM950,001 to RM1,000,000	-	1	-	1
RM1,200,001 to RM1,250,000	1	-	1	-
	2	2	2	2
Non-executive:				
RM50,001 to RM100,000	2	3	2	3
RM100,001 to RM150,000	1	-	1	-
	3	3	3	3
Directors of the subsidiaries				
Executive:				
RM0 to RM50,000	6	4	-	-
RM50,001 to RM100,000	2	2	-	-
RM100,001 to RM150,000	2	-	-	-
RM150,001 to RM200,000	2	2	-	-
RM200,001 to RM250,000	2	1	-	-
RM250,001 to RM300,000	1	1	-	-
RM300,001 to RM350,000	-	2	-	-
RM350,001 to RM400,000	1	2	-	-
RM400,001 to RM450,000	1	-	-	-
RM450,001 to RM500,000	-	1	-	-
RM500,001 to RM550,000	1	1	-	-
RM650,001 to RM700,000	1	-	-	-
RM700,001 to RM750,000	1	-	-	-
	20	16	-	-

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

38. FINANCE COSTS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Bank borrowing interest	2,049,427	1,780,032	-	-
Hire purchase interest	512,481	730,306	-	-
	2,561,908	2,510,338	-	-

39. INCOME TAX EXPENSE

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Income tax:				
- Malaysian income tax	43,194,651	17,315,939	204,353	64,178
- Foreign tax	1,562,131	1,181,237	-	-
	44,756,782	18,497,176	204,353	64,178
Under/(Over)provision in the previous financial year				
- Malaysian income tax	(1,071,217)	10,930,413	(1,242)	512,135
	43,685,565	29,427,589	203,111	576,313
Deferred taxation (Note 14)				
- for the financial year	(14,122,279)	(1,956,555)	-	-
- effect of change in corporate tax from 25% to 24%	(230,387)	-	-	-
- under/(over)provision in the previous financial year	468,065	(3,572,088)	-	(23,861)
	(13,884,601)	(5,528,643)	-	(23,861)
	29,800,964	23,898,946	203,111	552,452

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

39. INCOME TAX EXPENSE (CONT'D)

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

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before tax	124,503,312	84,897,944	23,445,222	12,377,293
Tax at Malaysian tax rate of 24% (2015 - 25%)	29,880,795	21,206,015	5,626,853	3,094,323
Non-deductible expenses	1,195,893	3,499,033	700,684	1,079,648
Non-taxable income	(827,906)	(8,517,004)	(6,149,899)	(4,473,377)
Deferred tax assets not recognised	644,658	425,036	26,715	363,584
Effect of change in corporate tax from 25% to 24%	(230,387)	-	-	-
Utilisation of deferred tax assets previously not recognised	(258,937)	(72,459)	-	-
	30,404,116	16,540,621	204,353	64,178
Under/(Over)provision of income tax in prior year	(1,071,217)	10,930,413	(1,242)	512,135
Under/(Over)provision of deferred tax in prior year	468,065	(3,572,088)	-	(23,861)
Income tax expense for the financial year	29,800,964	23,898,946	203,111	552,452

The statutory tax rate reduced to 24% from the previous financial year's rate of 25%, effective year of assessment 2016.

40. EARNINGS PER SHARE

	The Group	
	2016	2015
Profit after tax attributable to owners of the Company (RM)	94,767,238	59,837,364
Weighted average number of ordinary shares:-		
Issued ordinary shares at 1 June	216,369,443	196,691,218
Effect of new ordinary shares issued	15,095,734	17,845,527
Weighted average number of ordinary shares at 31 May	231,465,177	214,536,745
Basic earnings per ordinary share (sen)	40.94	27.89

The basic earnings per share of the Group is calculated by dividing the Group's profit after tax attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

40. EARNINGS PER SHARE (CONT'D)

	The Group 2016	The Group 2015
Profit after tax attributable to owners of the Company (RM)	N/A	59,837,364
Weighted average number of ordinary shares:-		
Issued ordinary shares at 1 June	N/A	196,691,218
Effect of new ordinary shares issued	N/A	17,845,527
	N/A	214,536,745
Effect of dilution:		
- conversion/exercise of warrants	N/A	8,250,310
Weighted average number of ordinary shares at 31 May	N/A	222,787,055
Diluted earnings per share (sen)	N/A	26.86

The diluted earnings per share of the Group is calculated by dividing the Group's profit after tax attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the financial year adjusted for the effects of the dilutive potential ordinary shares.

There is no dilution effect to the earnings per share for the current financial year as the Warrants have expired on 29 September 2015.

41. DIVIDEND

	The Company 2016 RM	The Company 2015 RM
First and final single tier dividend of 5 sen per ordinary share in respect of the financial year ended 31 May 2015	11,755,619	-
First and final single tier dividend of 4 sen per ordinary share in respect of the financial year ended 31 May 2014	-	8,654,778

The Directors proposed a first and final single tier dividend of 7 sen per share in respect of the financial year ended 31 May 2016 to be approved by the shareholders at the forthcoming Annual General Meeting. This dividend will be accounted for as an appropriation of retained profits in the period when it is approved by the shareholders.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

42. ACQUISITION OF SUBSIDIARIES

In the previous financial year, the details of the Group's share of net assets acquired and cash flow arising from the acquisition of subsidiaries as disclosed in Note 5 to the financial statements were as follows:

	Fair Value Recognised at Date of Acquisition 2015 RM
Property, plant and equipment	15,663
Concession assets	15,575,473
Trade and non-trade receivables	14,469,203
Cash and bank balances	371,562
Bank borrowings	(5,708,333)
Trade and non-trade payables	(11,839,287)
Deferred taxation	(136,246)
Net identifiable assets and liabilities	12,748,035
Less: Non-controlling interests	(3,062,415)
Add: Goodwill on consolidation (Note 13)	7,396,879
Less: Gain on bargain purchase	(206,206)
Total purchase consideration	16,876,293

43. JOINTLY-CONTROLLED OPERATIONS

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

Name of jointly controlled entities	Country of operation	Proportion of ownership 2016	2015	Principal activities
Held by Gadang Engineering (M) Sdn Bhd:				
- Konsortium Gadang Perembun	Malaysia	55%	55%	Undertake design and build of Cheras Rehabilitation Hospital
Held by Datapuri Sdn Bhd:				
- Zeta Datapuri JV	Malaysia	45%	45%	Undertake the development of new LCCT terminal and associated works at KL International Airport

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

44. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cost of property, plant and equipment purchased	9,144,511	52,675,423	3,744	128,646
Amount financed through hire purchase	(5,940,800)	(24,124,940)	-	-
Cash disbursed for purchase of property, plant and equipment	3,203,711	28,550,483	3,744	128,646

45. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Short term funds	106,635,459	-	43,713,115	-
Deposits with licensed banks	86,150,624	122,414,901	32,869,479	36,253,862
Cash and bank balances	101,495,291	110,246,695	17,823,573	11,605,455
Bank overdrafts (Note 26)	(6,146,311)	(4,867,175)	-	-
	288,135,063	227,794,421	94,406,167	47,859,317
Less: Fixed deposits pledged as security values (Note 21)	(55,631,131)	(57,696,671)	(10,253,214)	(9,980,252)
Cash and cash equivalents	232,503,932	170,097,750	84,152,953	37,879,065

46. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, associates, key management personnel and entities within the same group of companies.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

46. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant Related Party Transactions

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Subsidiaries				
Accretion of interest on amount owing by subsidiaries	-	-	(86,242)	(1,472,969)
Gross dividend income	-	-	25,100,000	16,600,000
Interest income received/receivable	-	-	546,175	-
Management fee received/receivable	-	-	5,030,000	4,645,001
Rental expense - land and building	-	-	(202,392)	(202,392)
Related parties				
Subcontractor work payable to				
- Datapuri Sdn Bhd (i)	5,250,554	1,023,157	-	-
- Kok Khim Boon (ii)	879,129	2,024,772	-	-

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

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

47. CAPITAL COMMITMENTS

	The Group	
	2016 RM	2015 RM
Approved and contracted for:		
Purchase of land for property development	-	86,225,220
Approved but not contracted for:		
Oil palm plantations development	462,000	2,881,994
New investments from Utility Division	-	277,000
Purchase of plant and machinery for Construction Division	550,000	-
	1,012,000	3,158,994

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

48. CONTINGENT LIABILITIES

	The Company	
	2016 RM	2015 RM
Unsecured		
Corporate guarantee issued to suppliers of subsidiaries	26,100,000	39,400,000
Secured		
Corporate guarantee issued to:		
- financial institutions for banking and hire purchase facilities granted to subsidiaries	216,334,223	186,902,055
- financial institutions for bank guarantees granted to subsidiaries in the ordinary course of business	198,299,192	161,175,866
	440,733,415	387,477,921

49. OPERATING SEGMENTS

BUSINESS SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The following are the Group's main business segments:

(i) Construction division – civil engineering works encompassing earthworks, infrastructure works, hospital and M&E works;

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

(iii) Utility division – construction, maintenance and management of water and power supply facilities;

(iv) Investment holding – investment activities and provision of management services; and

(v) Plantation division – oil palm cultivation.

49. OPERATING SEGMENTS (CONT'D)

The Group	Construction division RM	Property division RM	Utility division RM	Investment holding RM	Plantation division RM	Elimination RM	Group RM
31 May 2016							
Revenue	480,609,043	172,020,385	20,899,897	-	1,874,279	-	675,403,604
Inter-segment sales	859,229	560,380	-	30,130,000	-	(31,549,609)	-
Total revenue	481,468,272	172,580,765	20,899,897	30,130,000	1,874,279		675,403,604
Results							
Segment results	68,374,784	49,834,679	5,315,312	23,445,222	(1,226,767)	(18,678,010)	127,065,220
Finance costs	(541,587)	(2,030,128)	(519,642)	-	(16,726)	546,175	(2,561,908)
Profit/(Loss) from ordinary activities before taxation	67,833,197	47,804,551	4,795,670	23,445,222	(1,243,493)		124,503,312
Income tax expense							(29,800,964)
Profit from ordinary activities after taxation							**94,702,348**
Non-controlling interests							**64,890**
Net profit attributable to owners							**94,767,238**

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

49. OPERATING SEGMENTS (CONT'D)

The Group	Construction division RM	Property division RM	Utility division RM	Investment holding RM	Plantation division RM	Elimination RM	Group RM
31 May 2016							
Segment assets	431,851,338	621,523,077	120,133,242	324,597,703	17,390,008	(292,671,198)	1,222,824,170
Segment liabilities	292,682,815	469,984,552	88,921,555	461,882	3,570,240	(169,163,397)	686,457,647
Other information:							
- Depreciation and amortisation	22,632,557	568,114	873,073	29,093	848,680	(9,828)	24,941,689
- Capital expenditure	8,964,115	30,952	13,758,146	3,744	615,714	-	23,372,671

49. OPERATING SEGMENTS (CONT'D)

The Group	Construction division RM	Property division RM	Utility division RM	Investment holding RM	Plantation division RM	Elimination RM	Group RM
31 May 2015							
Revenue	449,662,132	119,720,608	16,682,471	-	1,332,760	-	587,397,971
Inter-segment sales	17,017,440	1,686,651	-	21,245,001	-	(39,949,092)	-
Total revenue	466,679,572	121,407,259	16,682,471	21,245,001	1,332,760		587,397,971
Results							
Segment results	45,953,064	37,551,955	3,420,937	12,377,292	(1,053,183)	(10,841,783)	87,408,282
Finance costs	(781,517)	(1,677,956)	(27,632)	-	(23,233)	-	(2,510,338)
Profit/(Loss) from ordinary activities before taxation	45,171,547	35,873,999	3,393,305	12,377,292	(1,076,416)		84,897,944
Income tax expense							(23,898,946)
Profit from ordinary activities after taxation							**60,998,998**
Non-controlling interests							**(1,161,634)**
Net profit attributable to owners							**59,837,364**

49. OPERATING SEGMENTS (CONT'D)

The Group	Construction division RM	Property division RM	Utility division RM	Investment holding RM	Plantation division RM	Elimination RM	Group RM
31 May 2015							
Segment assets	378,474,185	310,473,597	87,321,996	251,603,208	17,353,131	(219,122,977)	826,103,140
Segment liabilities	276,653,432	184,522,656	62,642,502	627,863	2,505,884	(89,242,007)	437,710,330
Other information:							
- Depreciation and amortisation	19,834,164	650,118	1,936,540	25,885	671,179	(9,828)	23,108,058
- Capital expenditure	51,065,993	762,606	4,735,124	128,646	1,351,555	-	58,043,924

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

49. OPERATING SEGMENTS (CONT'D)

GEOGRAPHICAL INFORMATION

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 civil engineering and construction works, property development, investment holding and oil palm cultivation.

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

(iii) Singapore – the operations in the area are investment holding.

	Total revenue from external customers RM	Segment assets RM	Capital expenditure RM
31 May 2016			
Malaysia	654,503,707	1,142,389,571	9,614,525
Indonesia	20,899,897	80,434,599	13,758,146
	675,403,604	1,222,824,170	23,372,671
31 May 2015			
Malaysia	570,715,500	740,474,500	53,308,800
Indonesia	16,682,471	85,628,631	4,735,124
Singapore	-	9	-
	587,397,971	826,103,140	58,043,924

MAJOR CUSTOMERS

The following are major customers with revenue equal to or more than 10% of Group revenue:

	Revenue 2016 RM	Revenue 2015 RM	Division
Customer A	159,850,888	140,445,322	Construction
Customer B	248,821,498	182,030,026	Construction
Customer C	47,397,452	114,247,360	Construction
	456,069,838	436,722,708	

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

50. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the end of the reporting period is as follows:-

	The Group	
	2016 RM	2015 RM
Singapore Dollar	N/A	2.7202
Indonesian Rupiah	0.000302	0.000277

51. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

51.1 Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

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

	Indonesian Rupiah RM	Ringgit Malaysia RM	Total RM
The Group			
31 May 2016			
Financial Assets			
Other investments	-	100,000	100,000
Trade and non-trade receivables	17,443,350	117,890,082	135,333,432
Short term funds	-	106,635,459	106,635,459
Deposits with licensed banks	4,781,336	81,369,288	86,150,624
Cash and bank balances	18,574,446	82,920,845	101,495,291
	40,799,132	388,915,674	429,714,806

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

	Indonesian Rupiah RM	Ringgit Malaysia RM	Total RM
The Group (Cont'd)			
31 May 2016			
Financial liabilities			
Trade and non-trade payables	1,920,609	353,448,270	355,368,879
Bank borrowings	14,230,295	208,590,735	222,821,030
	16,150,904	562,039,005	578,189,909
Net financial assets/ (liabilities)	24,648,228	(173,123,331)	(148,475,103)
Less: Net financial liabilities denominated in the entity's functional currency	-	173,123,331	173,123,331
Currency exposure	24,648,228	-	24,648,228

	Singapore Dollar RM	Indonesian Rupiah RM	Ringgit Malaysia RM	Total RM
The Group				
31 May 2015				
Financial Assets				
Other investments	-	-	100,000	100,000
Trade and non-trade receivables	-	13,181,693	145,137,120	158,318,813
Deposits with licensed banks	-	8,979,366	113,435,535	122,414,901
Cash and bank balances	9	4,388,940	105,857,746	110,246,695
	9	26,549,999	364,530,401	391,080,409
Financial liabilities				
Trade and non-trade payables	-	1,934,094	140,003,649	141,937,743
Bank borrowings	-	118,400	192,894,054	193,012,454
	-	2,052,494	332,897,703	334,950,197
Net financial assets	9	24,497,505	31,632,698	56,130,212

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

	Singapore Dollar RM	Indonesian Rupiah RM	Ringgit Malaysia RM	Total RM
The Group (Cont'd)				
31 May 2015				
Less: Net financial assets denominated in the entity's functional currency	-	-	(31,632,698)	(31,632,698)
Currency exposure	9	24,497,505	-	24,497,514

	Indonesian Rupiah RM	Ringgit Malaysia RM	Total RM
The Company			
31 May 2016			
Financial Assets			
Trade and non-trade receivables	-	100,922,750	100,922,750
Short term funds	-	43,713,115	43,713,115
Deposits with licensed banks	-	32,869,479	32,869,479
Cash and bank balances	149,915	17,673,658	17,823,573
	149,915	195,179,002	195,328,917
Financial liability			
Trade and non-trade payables	-	440,621	440,621
	-	440,621	440,621
Net financial assets	149,915	194,738,381	194,888,296
Less: Net financial assets denominated in the entity's functional currency	-	(194,738,381)	(194,738,381)
Currency exposure	149,915	-	149,915

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

	Indonesian Rupiah RM	Ringgit Malaysia RM	Total RM
The Company			
31 May 2015			
Financial Assets			
Trade and non-trade receivables	-	71,509,516	71,509,516
Deposits with licensed banks	-	36,253,862	36,253,862
Cash and bank balances	136,267	11,469,188	11,605,455
	136,267	119,232,566	119,368,833
Financial liability			
Trade and non-trade payables	-	602,114	602,114
	-	602,114	602,114
Net financial assets	136,267	118,630,452	118,766,719
Less: Net financial assets denominated in the entity's functional currency	-	(118,630,452)	(118,630,452)
Currency exposure	136,267	-	136,267

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016
(CONT'D)

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

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

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Effects on profit after taxation / Other Comprehensive Income				
IDR/RM				
Strengthened by 5%	936,633	918,656	5,697	5,110
Weakened by 5%	(936,633)	(918,656)	(5,697)	(5,110)

(ii) Interest Rate Risk

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

The Group's deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined by FRS 7 since neither their carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

The Group's exposure to interest rate risk that based on the carrying amount of the financial instruments at the end of the reporting period is summarised as follows:-

	The Group	
	2016 RM	2015 RM
Bank overdrafts	6,146,311	4,867,175
Bankers' acceptances	1,085,000	8,916,138
Revolving credits	15,200,000	55,028,781
Term loans	176,630,832	95,781,153
	199,062,143	164,593,247

<u>Interest rate risk sensitivity analysis</u>

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

	The Group	
	2016 RM	2015 RM
Effects on profit after taxation / Other Comprehensive Income		
Increase of 10 basis points	(151,287)	(123,445)
Decrease of 10 basis points	151,287	123,445

(iii) Equity Price Risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk

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

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 1 year, which are deemed to have higher credit risk, are monitored individually.

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

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by two customers which constituted approximately 52% (2015 - 66%) of its trade receivables as at the end of the reporting period.

Exposure to credit risk

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

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

	The Group	
	2016 RM	2015 RM
Malaysia	46,092,131	84,926,614
Indonesia	4,365,078	2,457,103
	50,457,209	87,383,717

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

Ageing analysis

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

The Group	Gross amount RM	Individual impairment RM	Collective impairment RM	Carrying value RM
31 May 2016				
Not past due	33,825,981	-	-	33,825,981
Past due:				
- less than 3 months	11,665,779	-	-	11,665,779
- more than 6 months	4,830,115	-	-	4,830,115
- more than 1 year	724,624	(589,290)	-	135,334
	51,046,499	(589,290)	-	50,457,209
31 May 2015				
Not past due	47,991,238	-	-	47,991,238
Past due:				
- less than 3 months	34,540,729	-	-	34,540,729
- more than 6 months	4,809,558	-	-	4,809,558
- more than 1 year	42,694	(502)	-	42,192
	87,384,219	(502)	-	87,383,717

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

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

(c) Liquidity Risk

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

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis

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

	Contractual interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1-5 years RM	Over 5 years RM
The Group						
31 May 2016						
Trade and non-trade payables	-	355,368,879	359,133,838	227,704,638	131,429,200	-
Bank overdrafts	7.60	6,146,311	6,146,311	6,146,311	-	-
Bankers' acceptances	5.14	1,085,000	1,085,000	1,085,000	-	-
Revolving credits	4.75-5.98	15,200,000	15,264,846	15,264,846	-	-
Hire purchase payables	4.46-7.07	23,758,887	26,273,626	10,974,897	15,055,023	243,706
Term loans	4.46-13.60	176,630,832	214,017,111	33,580,344	118,588,647	61,848,120
		578,189,909	621,920,732	294,756,036	265,072,870	62,091,826
31 May 2015						
Trade and non-trade payables	-	141,937,743	146,997,200	143,854,528	3,142,672	-
Bank overdrafts	7.60	4,867,175	4,867,175	4,867,175	-	-
Bankers' acceptances	5.14-6.14	8,916,138	8,916,138	8,916,138	-	-
Revolving credits	5.43-6.07	55,028,781	56,114,961	56,114,961	-	-
Hire purchase payables	4.46-7.24	28,419,207	31,671,511	11,181,223	20,490,288	-
Term loans	4.50-13.50	95,781,153	107,896,321	29,489,469	66,480,389	11,926,463
		334,950,197	356,463,306	254,423,494	90,113,349	11,926,463

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

	Contractual interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1-5 years RM	Over 5 years RM
The Company						
31 May 2016						
Trade and non-trade payables	-	440,621	440,621	440,621	-	-
		440,621	440,621	440,621	-	-
31 May 2015						
Trade and non-trade payables	-	602,114	602,114	602,114	-	-
		602,114	602,114	602,114	-	-

51.2 Capital Risk Management

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

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. The debt-to-equity ratio is calculated as total interest bearing borrowings from financial institutions less cash and cash equivalent which includes fixed deposit pledged as security values, divided by total equity. Total equity includes equity attributable to the owners of the parent and non-controlling interest.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

51. FINANCIAL INSTRUMENTS (CONT'D)

51.2 Capital Risk Management (Cont'd)

The debt-to-equity ratio of the Group and the Company as at the end of the reporting period was as follows:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total interest bearing financial liabilities	222,821,030	193,012,454	-	-
Less: Cash and cash equivalents	(288,135,063)	(227,794,421)	(94,406,167)	(47,859,317)
Net cash	(65,314,033)	(34,781,967)	(94,406,167)	(47,859,317)
Shareholders' equity	536,366,523	388,392,810	324,135,824	250,975,343
Debt-to-equity	Not applicable	Not applicable	Not applicable	Not applicable

51.3 Classification of Financial Instruments

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Financial assets				
Available-for-sale financial assets				
Other investment	100,000	100,000	-	-
Loans and receivables financial assets				
Trade and non-trade receivables	135,333,432	158,318,813	100,922,750	71,509,516
Deposits with licensed banks	86,150,624	122,414,901	32,869,479	36,253,862
Cash and bank balances	101,495,291	110,246,695	17,823,573	11,605,455
	322,979,347	390,980,409	151,615,802	119,368,833
Fair Value through Profit or Loss				
Short term funds	106,635,459	-	43,713,115	-
Financial liabilities				
Other financial liabilities				
Trade and non-trade payables	(355,368,879)	(141,937,743)	(440,621)	(602,114)
Bank borrowings	(222,821,030)	(193,012,454)	-	-
	(578,189,909)	(334,950,197)	(440,621)	(602,114)

51. FINANCIAL INSTRUMENTS (CONT'D)

51.4 Fair Value Information

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

The fair value of the Group's investment in unquoted shares that with carrying amount of RM100,000 (2015 – RM100,000) is not presented due to the lack of marketability of the shares and the fair value cannot be reliably measured.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	RM	RM
The Group								
31 May 2016								
Financial asset								
Short term funds	106,635,459	-	-	-	-	-	106,635,459	106,635,459
Financial liabilities								
Term loans	-	-	-	-	176,630,832	-	176,630,832	176,630,832
Hire purchase payables	-	-	-	-	23,758,887	-	23,980,834	23,758,887
31 May 2015								
Financial asset								
Short term funds	-	-	-	-	-	-	-	-
Financial liabilities								
Term loans	-	-	-	-	95,781,153	-	95,781,153	95,781,153
Hire purchase payables	-	-	-	-	28,419,207	-	28,419,207	28,419,207

51. FINANCIAL INSTRUMENTS (CONT'D)

51.4 Fair Value Information (Cont'd)

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	RM	RM
The Company								
31 May 2016								
Financial asset								
Short term funds	43,713,115	-	-	-	-	-	43,713,115	43,713,115
31 May 2015								
Financial asset								
Short term funds	-	-	-	-	-	-	-	-

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

51. FINANCIAL INSTRUMENTS (CONT'D)

51.4 Fair Value Information (Cont'd)

(a) Fair Value of Financial Instruments Carried at Fair Value

(i) The fair value above have been determined using the following basis:

(aa) The fair value of short term funds are determined at their quoted closing bid prices at the end of the reporting period.

(ii) There were no transfer between level 1 and level 2 during the financial year.

(b) Fair Value of Financial Instruments not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

(i) The fair values of hire purchase payables and term loans are determined by discounting the relevant cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	The Group	
	2016 %	2015 %
Hire purchase payables	5.00-8.00	4.70-7.98
Term loans	4.46-13.60	4.50-13.50

52. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are as follows:-

(i) On 30 January 2015, Crimson Villa Sdn Bhd, an indirect wholly-owned subsidiary of the Company entered into a Sale and Purchase Agreement with Sementar Properties Sdn Bhd to acquire a parcel of freehold land in Semenyih. The acquisition has been completed on 9 October 2015.

(ii) On 21 October 2015, the Company's wholly-owned subsidiary, Gadang Engineering (M) Sdn Bhd accepted the Letter of Award dated 20 October 2015 from PRPC Utilities and Facilities Sdn Bhd for the award of contract known as "Utilities, Interconnecting, Offsite ("UIO") Facilities: Procurement, Construction and Commissioning ("PCC") of Civil & Infrastructure Works at Interconnecting Sleepers and Utilities Area 2 – Package 14-0301" for a total contract sum of RM375,130,000.

(iii) On 11 December 2015, the Company's wholly-owned subsidiary, Gadang Engineering (M) Sdn Bhd was awarded by PRPC Utilities and Facilities Sdn Bhd for a contract known as "Utilities, Interconnecting, Offsite ("UIO") Facilities: Procurement, Construction and Commissioning ("PCC") of Civil & Infrastructure Works at Storm Water East Area 2 – Package 14-0402" for a total contract sum of RM185,000,000.

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016
(CONT'D)

52. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(iv) On 15 March 2016, Bursa Malaysia Securities Berhad ("Bursa Securities") approved the Proposed Private Placement. On 19 April 2016, the Company fixed the issue price for the placement shares at RM1.85 per share. On 28 April 2016, the Private Placement was completed with the listing and quotation of 23,511,000 new ordinary shares of RM1.00 each on the Main Market of Bursa Securities representing 10% of the issued and paid-up share capital of the Company.

53. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

(a) The corporate proposals announced on 25 August 2016 which were pending completion as at the date of the audited financial statements are as follows:-

(i) Proposed share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each in Gadang into two (2) ordinary shares of RM0.50 each in Gadang ("Subdivided Shares") held by the entitled shareholders of the Company whose names appear on the Record of Depositors ("Entitled Shareholders") on an entitlement date to be determined and announced later ("Entitlement Date") ("Proposed Share Split");

(ii) Proposed bonus issue of 129,311,689 new Subdivided Shares ("Bonus Shares") on the basis of one (1) Bonus Share for every four (4) Subdivided Shares held by the Entitled Shareholders on the Entitlement Date after the completion of the Proposed Share Split;

(iii) Proposed bonus issue of 129,311,689 warrants ("Warrants") on the basis of one (1) Warrant for every four (4) Subdivided Shares held by the Entitled Shareholders on the Entitlement Date after the completion of the Proposed Share Split;

(iv) Proposed establishment of an employees' share option scheme ("ESOS") of up to fifteen percent (15%) of the issued and paid-up share capital of the Company (excluding treasury shares of the Company) at any point in time to be granted to the eligible Directors and employees of Gadang and its subsidiaries which are not dormant;

(v) Proposed increase in the authorised share capital of Gadang from RM400,000,000 comprising 400,000,000 ordinary shares of RM1.00 each to RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each; and

(vi) Proposed amendments to the Memorandum and Articles of Association of Gadang as a consequence of the Proposed Share Split and Proposed Increase in Authorised Share Capital.

(Collectively referred to as the "Proposals")

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

53. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD (CONT'D)

The Proposals are conditional upon the following approvals being obtained:-

(i) Bursa Securities for the following:-

(a) the Proposed Share Split;

(b) the listing of and quotation for the Subdivided Shares, Bonus Shares, Warrants and new shares to be issued pursuant to the exercise of Warrants and the ESOS Options on the Main Market of Bursa Securities;

(c) the admission of the Warrants to the Official List of Bursa Securities;

(ii) the shareholders of Gadang at an extraordinary general meeting to be convened; and

(iii) any other relevant authority and/or party, if required.

(b) On 26 August 2016, the Company's wholly-owned subsidiary, Regional Utiities Sdn Bhd ("RUSB") incorporated a new subsidiary in Indonesia under the name of PT. Asian Utilities Indonesia ("PTAUI"), with a paid-up share capital of IDR3,945,000,000 (equivalent to USD300,000) divided into 300,000 shares of IDR13,150 each (equivalent to USD1.00 each) of which RUSB holds 99% and the remaining 1% is held by the Company. The intended activity of PTAUI is to provide business management consulting services.

54. COMPARATIVE FIGURES

In accordance with the transitional provisions for the new FRS 119, the changes in accounting policy have been accounted for retrospectively. The effect arising from the adoption of the standard are summarised as follows:-

		The Group	
	As previously reported RM	Effect of adopting FRS 119 RM	As Restated RM
As at 31 May 2014			
Statement of Financial Position (Extract)			
Deferred tax liabilities	(12,310,914)	(16,442)	(12,327,356)
Defined benefit obligations	(1,218,830)	(122,907)	(1,341,737)
Reserves	(101,445,862)	139,349	(101,306,513)

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

54. COMPARATIVE FIGURES (CONT'D)

	The Group		
	As previously reported RM	Effect of adopting FRS 119 RM	As Restated RM
As at 31 May 2015			
Statement of Financial Position (Extract)			
Deferred tax liabilities	(9,003,916)	127,844	(8,876,072)
Defined benefit obligations	(1,228,811)	(121,397)	(1,350,208)
Reserves	(164,987,353)	(6,447)	(164,993,800)
For the financial year ended 31 May 2015			
Statements of Profit or Loss (Extract)			
Administrative expenses	(18,215,621)	(157,186)	(18,372,807)
Operating expenses	(22,417,744)	231,069	(22,186,675)
Income tax expense	(24,042,712)	143,766	(23,898,946)
For the financial year ended 31 May 2015			
Statements of Other Comprehensive Income (Extract)			
Actuarial loss on defined benefit obligations	-	(72,380)	(72,380)
Foreign currency translation	294,736	527	295,263

55. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained profits of the Company and its subsidiaries				
- realised	247,038,600	186,116,890	25,933,690	16,389,436
- unrealised	9,926,488	(6,110,042)	1,537,303	(693,023)
	256,965,088	180,006,848	27,470,993	15,696,413
Less: Consolidation adjustments	(24,716,120)	(30,655,749)	-	-
At 31 May	232,248,968	149,351,099	27,470,993	15,696,413

LIST OF *Properties*

AS AT 31 MAY 2016

Title/Location	Description/ Existing use	Tenure	Acquisition Date (Revaluation Date)	Approximate Land/(Built-up) Area in sq. ft	Carrying Value (RM)
Wisma Gadang No. 52 Jalan Tago 2 Off Jalan Persiaran Utama Sri Damansara 52200 Kuala Lumpur	7 storey office block for own use	Freehold	(June 1997)	42,619 (45,043)	8,507,160
Geran No. 49848 Lot No. 1132 Daerah Johor Baru Bandar Johor Baru Negeri Johor Darul Taksim	Mixed integrated commercial development	Freehold	31/07/2003	705,672	21,318,469
Salak South Land Mukim Kuala Lumpur HS(D) 42144 Lot 49280	Mixed development	Leasehold ending 17/06/2112	27/01/2010	531,432	33,985,365
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) 252122 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	Vacant bungalow lot for sale/ development	Leasehold ending 01/12/2107	31/01/2010	62,123	9,021,053
Pokok Sena Lot 165, Pokok Sena Kedah	Mixed development	Freehold	11/06/2010	8,786,923	14,369,977
Gasing Indah Land Mukim Kuala Lumpur HS(D) 171475 PT No.399	Land held for development	Freehold	17/06/2010	46,165	3,693,200

LIST OF PROPERTIES
AS AT 31 MAY 2016

Title/Location	Description/ Existing use	Tenure	Acquisition Date (Revaluation Date)	Approximate Land/(Built-up) Area in sq. ft	Carrying Value (RM)
Parcel No. B-D-37 Kenny Heights Estate (Lot No. 67802) Geran Title 72851 Mukim of Batu District of Kuala Lumpur	Town villa for sale	Freehold	29/12/2011	(5,226)	3,011,600
Pajakan Mukim No. Hakmilik 2288 Lot 20470 Mukim Serendah Daerah Hulu Selangor Negeri Selangor	Store for plant and machinery	Leasehold ending 31/08/2105	01/10/2012	400,300	4,557,478
PM 317 Lot 4249 Mukim Setapak Tempat Dusun Ranjau Daerah Kuala Lumpur	Land for development	Leasehold ending 02/02/2091	25/10/2013	413,883	33,110,000
Lot 20504, Mukim Semenyih District of Ulu Langat State of Selangor	Land for development	Freehold	30/01/2015	2,737,262	98,676,114

ANALYSIS OF Shareholdings

I. ANALYSIS OF SHAREHOLDINGS as at 30 August 2016

Share Capital

Authorised Share Capital	:	RM400,000,000
Issued & Fully Paid-Up Share Capital	:	RM258,623,378
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 99	89	1.42	2,505	0.00
100 - 1,000	1,292	20.64	1,111,234	0.43
1,001 - 10,000	3,450	55.10	16,284,103	6.30
10,001 - 100,000	1,205	19.25	37,176,941	14.38
100,001 - 12,931,167	223	3.56	136,511,268	52.78
12,931,168* and above	2	0.03	67,537,327	26.11
Total	6,261	100.00	258,623,378	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	32,550,161	12.59	-	-
2. Tan Sri Dato' Kok Onn	5,536,666	2.14	67,537,327(a)	26.11
3. Meloria Sdn Bhd	34,987,166	13.53	-	-
4. Puan Sri Datin Chan Ngan Thai	-	-	34,987,166(b)	13.53

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

THIRTY LARGEST SHAREHOLDERS

		No. of Shares	%
1.	RHB Nominees (Tempatan) Sdn Berhad *Pledged securities account for Meloria Sdn Bhd*	34,987,166	13.53
2.	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged securities for Sumber Raswira Sdn Bhd*	32,550,161	12.59
3.	Citigroup Nominees (Asing) Sdn Bhd *Exempt An for Citibank New York (Norges Bank 9)*	5,885,700	2.28
4.	Citigroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Kok Onn*	5,536,666	2.14
5.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged securities account for Fong Siling*	5,000,000	1.93
6.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (F Templeton)*	3,869,500	1.50
7.	HSBC Nominee (Asing) Sdn Bhd *Exempt An for The Bank of New York Mellon (Mellon Acct)*	3,834,000	1.48
8.	Malacca Equity Nominees (Tempatan) Sdn Bhd *Exempt An for Phillip Capital Management Sdn Bhd*	3,682,400	1.42
9.	UOB Kay Hian Nominees (Asing) Sdn Bhd *Exempt An for UOB Kay Hian Pte Ltd*	3,555,000	1.37
10.	Citigroup Nominees (Asing) Sdn Bhd *Exempt An for Citibank New York (Norges Bank 14)*	3,349,300	1.30
11.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Teh Win Kee*	3,076,800	1.19
12.	Citigroup Nominees (Tempatan) Sdn Bhd *Universal Trustee (Malaysia) Berhad for CIMB Islamic Dali Equity Fund*	2,823,400	1.09
13.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Hong Leong Penny Stockfund*	2,565,600	0.99
14.	Malacca Equity Nominees (Tempatan) Sdn Bhd *Exempt An for Phillip Capital Management Sdn Bhd (EPF)*	2,472,400	0.96
15.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Hong Leong Asset Management Berhad for Hong Leong Assurance Berhad (Life-Par Fund ED102)*	2,466,500	0.95

ANALYSIS OF SHAREHOLDINGS

THIRTY LARGEST SHAREHOLDERS (Cont'd)

	No. of Shares	%
16. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Hong Leong Growth Fund*	2,388,200	0.92
17. Maybank Nominees (Tempatan) Sdn Bhd *Yeoh Ah Tu*	2,308,650	0.89
18. RHB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Koon Yew Yin*	2,065,400	0.80
19. Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ronie Tan Choo Seng*	2,000,000	0.77
20. Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (Amundi)*	2,000,000	0.77
21. Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Law Wan Ni*	1,913,000	0.74
22. Citigroup Nominees (Tempatan) Sdn Bhd *Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund*	1,650,000	0.64
23. HSBC Nominees (Asing) Sdn Bhd *Exempt An for JPMorgan Chase Bank, National Association (Finland)*	1,539,700	0.60
24. HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for AMB Ethical Trust Fund*	1,480,000	0.57
25. CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB Commerce Trustee Berhad-AMB Smallcap Trust Fund*	1,380,000	0.53
26. Law Wan Cheen	1,296,600	0.50
27. HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial*	1,280,000	0.49
28. Kenanga Nominees (Tempatan) Sdn Bhd *Pledged securities account for Su Ming Keat*	1,280,000	0.49
29. Lee Chee Beng	1,245,900	0.48
30. Maybank Nominees (Tempatan) Sdn Bhd *Pledged securities account for Wong Siew Chan*	1,230,000	0.48

ANALYSIS OF SHAREHOLDINGS

II. DIRECTORS' SHAREHOLDINGS as at 30 August 2016

THE COMPANY

	Number of Ordinary Shares of RM1.00 each			
	Direct Interest	%	Deemed interest	%
Tan Sri Dato' Kok Onn	5,536,666	2.14	67,537,327(a)	26.11
Boey Tak Kong	620,000	0.24	-	-

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 of the Company or its related corporations as at 30 August 2016.

NOTICE OF 23rd Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty-Third (23rd) Annual General Meeting (AGM) of Gadang Holdings Berhad (the Company) will be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 3rd November 2016 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 2016 together with the Reports of the Directors and Auditors thereon. *Please refer to Note B*

2. To approve the payment of a first and final single tier dividend of 7 sen per share in respect of the financial year ended 31 May 2016. *(Ordinary Resolution 1)*

3. To approve the payment of Directors' fees of RM220,000.00 in respect of the financial year ended 31 May 2016 (FY2015: RM220,000). *(Ordinary Resolution 2)*

4. 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)*

5. To consider and, if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965:

   "That Datuk Wan Lokman Bin Dato' Wan Ibrahim, retiring pursuant to Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." *(Ordinary Resolution 4)*

6. To re-appoint Messrs Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 5)*

AS SPECIAL BUSINESS

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

7. **Authority to Directors to issue shares** *(Ordinary Resolution 6)*

   "**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised 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."

NOTICE OF 23RD ANNUAL GENERAL MEETING

8. **Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature and the provision of financial assistance** *(Ordinary Resolution 7)*

"**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 29 September 2016 ("Circular") with the related parties listed in Section 2.3 of the Circular which transactions are necessary for the day-to-day operations, in the ordinary course of business of Gadang Group on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders;

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

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

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

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

whichever is the earlier;

AND THAT, the Directors and/or any of them be and are hereby authorised 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 authorised by this resolution."

9. **Continuing In Office As Independent Director – Datuk Wan Lokman Bin Dato' Wan Ibrahim** *(Ordinary Resolution 8)*

"**THAT**, subject to the passing of Ordinary Resolution 4, approval be and is hereby given to Datuk Wan Lokman Bin Dato' Wan Ibrahim who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company".

10. **Continuing In Office As Independent Director – Encik Adam Bin Bachek** *(Ordinary Resolution 9)*

"**THAT** approval be and is hereby given to Encik Adam Bin Bachek who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company".

NOTICE OF 23RD ANNUAL GENERAL MEETING

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the first and final single tier dividend of 7 sen per share, for the financial year ended 31 May 2016, if approved by the shareholders at the 23rd Annual General Meeting, will be paid on 25 November 2016 to Depositors whose names appear in the Record of Depositors at the close of business on 10 November 2016.

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

a. shares transferred into the Depositor's Securities Account before 4.00 p.m. on 10 November 2016 in respect of transfers; and

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

BY ORDER OF THE BOARD

SALLY TAN SEOK CHUNG
Company Secretary

Kuala Lumpur
29 September 2016

NOTES:

A. Appointment of Proxy and Entitlement of Attendance

1. Only depositors whose names appear in the Record of Depositors as at 27 October 2016 be regarded as members and entitled to attend, speak and vote at this meeting.
2. A member of the Company entitled to attend, speak and vote at this meeting, is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy may but need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. The Articles provide that a member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing the proxy must be deposited at the Registered Office of the Company at Wisma Gadang, No 52, Jalan Tago 2, Off Jalan Persiaran Utama, Sri Damansara, 52200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

B. Audited Financial Statements for the financial year ended 31 May 2016

The audited financial statements are for discussion only under Agenda 1, as it does not require shareholders' approval under the provision of Section 169(1) of the Companies Act, 1965. Hence, it will not be put for voting.

C. Poll Voting

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

NOTICE OF 23RD ANNUAL GENERAL MEETING

EXPLANATORY NOTES TO SPECIAL BUSINESS

(i) Ordinary Resolution 6 - Authority to Directors to issue shares

The proposed Ordinary Resolution 6 is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Companies Act, 1965, obtained from the shareholders at the last Annual General Meeting (AGM). The resolution, if passed, will empower the Directors of the Company 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 a general meeting, will expire at the conclusion of the next AGM of the Company.

This mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisition(s) and thereby reducing administrative time and costs associated with the convening of additional shareholders meeting(s).

Pursuant to the last mandate granted to the Directors at the 22nd AGM held on 19 November 2015 which will lapse at the conclusion of this 23rd AGM, the Company had placed out 23,511,000 new ordinary shares at an issue price of RM1.85 each, which raised a total proceeds of RM43,495,350 which shares were all listed on the Main Market of Bursa Malaysia Securities Berhad on 28 April 2016 ("Private Placement").

Details and status of the utilisation of proceeds from the Private Placement are set out in the "Additional Compliance Information" on page 54 of this Annual Report.

(ii) Ordinary Resolution 7 - Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature and for the provision of financial assistance

The proposed Ordinary Resolution 7 is in relation to the approval of Shareholders' Mandate for Recurrent Related Party Transactions and if passed, will empower the Company and its subsidiaries ("Gadang Group") to enter into recurrent related party transactions of a revenue or trading nature and for the provision of financial assistance which are necessary for Gadang Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Details relating to Ordinary Resolution 7 are set out in the Circular to Shareholders dated 29 September 2016, which is despatched together with this Annual Report 2016.

(iii) Ordinary Resolutions 8 and 9 - Continuing In Office As Independent Non-Executive Directors

In line with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, the Board of Directors has assessed the independence of Datuk Wan Lokman Bin Dato' Wan Ibrahim and Encik Adam Bin Bachek, who have served as Independent Non-Executive Directors for a cumulative term of more than nine years, and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

(a) Both of them have met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.
(b) Datuk Wan Lokman Bin Dato' Wan Ibrahim's vast experience in the banking sector and in-depth expertise in the plantation segment will greatly contribute and support the Group's palm oil activities.
(c) Encik Adam Bin Bachek's legal background in contract negotiations and technical knowledge in contract management shall be valuable services for the more complex and higher value projects to be tendered.
(d) Both of them, having been with the Company for more than nine years, are familiar with the Group's business goals and have devoted sufficient time to discharge their statutory duties and fiduciary responsibilities.
(e) Both have exercised due care during their tenure as Independent Non-Executive Directors of the Company and have carried out their professional duties in the interest of the Company and shareholders.

The proposed Ordinary Resolution 8, if passed, will authorise Datuk Wan Lokman Bin Dato' Wan Ibrahim to continue in office as an Independent Non-Executive Director of the Company.

The proposed Ordinary Resolution 9, if passed, will authorise Encik Adam Bin Bachek to continue in office as an Independent Non-Executive Director of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

There is no Director standing for election at the 23rd Annual General Meeting of the Company.

FORM OF PROXY

NUMBER OF SHARES HELD	
CDS ACCOUNT NO.	

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

of ____
(FULL ADDRESS AND TELEPHONE NO.)

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

Proxy 1 ____________________________________ NRIC No.: ____________________________
(FULL NAME IN BLOCK LETTERS)

Proxy 2 ____________________________________ NRIC No.: ____________________________
(FULL NAME IN BLOCK LETTERS)

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the 23rd Annual General Meeting of the Company to be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 3 November 2016 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 approve the payment of a first and final dividend		
2.	To approve the payment of Directors' fees		
3.	To re-elect Tan Sri Dato' Kok Onn as Director		
4.	To re-appoint Datuk Wan Lokman Bin Dato' Wan Ibrahim as Director		
5.	To re-appoint Messrs Crowe Horwath as Auditors		
6.	To authorise the Directors to issue shares		
7.	To renew the shareholders' mandate for Recurrent Related Party Transactions and provision of financial assistance		
8.	To continue in office for Datuk Wan Lokman Bin Dato' Wan Ibrahim as Independent Director		
9.	To continue in office for Encik Adam Bin Bachek as Independent Director		

** Strike out whichever not applicable*

Dated this ________ day of ____________________, 2016

For appointment of 2 proxies, no. of shares and percentage of shareholdings to be represented by the proxies:-		
	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

____
Signature/Common Seal of Member

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 27 October 2016 be regarded as members and entitled to attend, speak and vote at this meeting.
2. A member of the Company entitled to attend, speak and vote at this meeting, is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy may but need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. The Articles provide that a member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing the proxy must be deposited at the Registered Office of the Company at Wisma Gadang, No 52, Jalan Tago 2, Off Jalan Persiaran Utama, Sri Damansara, 52200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

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Then fold here

AFFIX STAMP

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

1st fold here

www.gadang.com.my

GADANG HOLDINGS BERHAD (278114-K)
Wisma Gadang, No. 52 Jalan Tago 2
Off Jalan Persiaran Utama
Sri Damansara
52200 Kuala Lumpur

T : 603-6279 6288
F : 603-6275 2136
E : corporate@gadang.com.my