GADANG HOLDINGS BERHAD
(278114-K)

annual report **2007**

CONTENTS

FINANCIAL CALENDAR

Financial Year	1 June 2006 to 31 May 2007
ANNOUNCEMENT OF RESULTS	
First Quarter ended 31 August 2006	16 October 2006 (Amended announcement: 20 November 2006)
Second Quarter ended 30 November 2006	25 January 2007
Third Quarter ended 28 February 2007	16 April 2007
Fourth Quarter ended 31 May 2007	26 July 2007
DIVIDEND	
First and Final Dividend	Entitlement date : 30 November 2007 Payment date : 27 December 2007
ANNUAL REPORT	Issue date : 30 October 2007
14TH ANNUAL GENERAL MEETING	Meeting date : 22 November 2007

CORPORATE STRUCTURE

GADANG HOLDINGS BERHAD

- 100% GADANG ENGINEERING (M) SDN BHD
  - 100% GADANG CONSTRUCTION SDN BHD
    - 100% NEW-MIX CONCRETE INDUSTRIES SDN BHD
  - 100% BINCON SDN BHD
  - 100% KATAH REALTY SDN BHD
  - 100% KARTAMO CORPORATION SDN BHD
  - 51% ERA BERKAT SDN BHD
- 51% DATAPURI SDN BHD
- 100% GADANG LAND SDN BHD
  - 100% GADANG PROPERTIES SDN BHD
    - 100% BUILDMARK SDN BHD
  - 100% CITY VERSION SDN BHD
  - 100% DAMAI KLASIK SDN BHD
  - 100% MAGNAWAY SDN BHD
  - 100% NOBLE PARADISE SDN BHD
  - 100% SAMA PESONA SDN BHD
  - 100% SPLENDID PAVILION SDN BHD
- 100% ACHWELL PROPERTY SDN BHD
- 100% MANDY CORPORATION SDN BHD
- 100% REGIONAL UTILITIES SDN BHD
  - 100% ASIAN UTILITIES PTE LTD
    - 95% PT. TAMAN TIRTA SIDOARJO
    - 95% PT. BINTANG HYTIEN JAYA
- 70% GLP RESOURCES (M) SDN BHD
  - 100% GLP MANUFACTURING (M) SDN BHD
  - 100% GLP PAINTS (M) SDN BHD

● Engineering and Construction
● Water Concession
● Manufacturing and Trading
● Property Investment and Development
● Mechanical and Electrical Works

* Dormant companies are not included here

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' KAMARUDDIN BIN ABDUL GHANI
Chairman and Independent Non-Executive Director

DATO' KOK ONN
Managing Director cum Chief Executive Officer

KOAY TENG KEONG
Executive Director

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

ADAM BIN BACHEK
Independent Non-Executive Director

LING HOCK HING
Executive Director

CHAN AH KAM @ CHAN AH THOONG
Executive Director

SECRETARY

Tan Seok Chung, Sally
MAICSA 0829689

REGISTERED OFFICE

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

REGISTRAR

Tenaga Koperat Sdn Bhd
20th Floor, Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur
Tel. : 603-4047 3883
Fax. : 603-4042 6352

AUDITORS

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

PRINCIPAL BANKERS

CIMB Bank Berhad
AmBank (M) Berhad
RHB Bank Berhad
EON Bank Berhad

STOCK EXCHANGE LISTING

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

BOARD OF DIRECTORS

Standing From Left to Right

Chan Ah Kam @ Chan Ah Thoong
Koay Teng Keong
Ling Hock Hing
Datuk Wan Lokman Bin Dato' Wan Ibrahim

Sitting From Left to Right

Adam Bin Bachek
Dato' Kamaruddin Bin Abdul Ghani
Dato' Kok Onn

PROFILE OF DIRECTORS

DATO' KAMARUDDIN BIN ABDUL GHANI
Chairman, Independent Non-Executive Director

Dato' Kamaruddin Bin Abdul Ghani, a Malaysian, aged 62, was appointed as the Chairman of Gadang Holdings Berhad ("Gadang" or "the Company") on 10 March 1997. He is also the Chairman of the Nomination Committee and a member of the Audit Committee and Gadang Employees' Share Option Scheme ("ESOS") Committee.

He is a consultant in equestrian. He is very active in the equestrian sport, representing Malaysia in equestrian and polo competitions and won numerous prizes, including being a gold medalist in the Kuala Lumpur SEA Games 2001 and World Endurance Champion for 2001. He is the founder member and past president of the Malaysian Equestrian Association; founder member of the Malaysian Endurance Riding Society and also held committee positions in various equestrian and polo clubs.

As a consultant, Dato' Kamaruddin has designed and built the Bukit Kiara Resort Bhd and the Putrajaya Equestrian Park. He is also advisor to the Royal Kelantan Equestrian Society and the Organising Committee of the World Equestrian Endurance Championship 2008. Dato' Kamaruddin is also the Vice Chairman of LBS Bina Group Berhad.

DATO' KOK ONN
Managing Director cum Chief Executive Officer

Dato' Kok Onn, a Malaysian, aged 56, joined the Board on 10 March 1997 as the Joint Managing Director of Gadang and was subsequently appointed as the Managing Director cum Chief Executive Officer on 2 September 1997. He is the Chairman of the Risk Management Committee and a member of the Remuneration Committee and ESOS Committee.

Prior to joining Gadang, Dato' Kok Onn 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

Dato' Kok Onn's exposure in the construction industry began in 1972 and has been involved in the industry for more than 35 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.

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

PROFILE OF DIRECTORS (Cont'd)

KOAY TENG KEONG

Executive Director

Mr Koay Teng Keong, a Malaysian, aged 50, joined the Board on 10 March 1997 as an Executive Director. He is a member of the Risk Management Committee.

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

He joined BESB in 1984 as a Project Manager in charge of contract administration and site management for various construction projects until his promotion as a Senior Project Coordinator and subsequently to his appointment as an Executive Director of Bridgecon from 1994 to March 1997. Mr Koay has been involved in the construction industry for the last 28 years in which he has gained extensive exposure in the construction sector. The major projects completed under his charge include, among others the Johor Bahru New Water Supply Scheme, Sultan Salehuddin Abdul Aziz Power Station – Phase II, Santubong Bridge, New Klang Valley Expressway, North South Expressway Packages, MAFC31 Bunker, Ixora Apartments, Pulau Redang Hotel Resort, KLCC-Ramlee Ramps & Connecting Tunnels, Earthworks for Puncak Alam Development, BASF- Petronas Chemicals Acrylics Complex and various civil works projects in Putrajaya. Mr Koay does not hold any directorship in any other public company.

ADAM BIN BACHEK

Senior Independent Non-Executive Director

Encik Adam Bin Bachek, a Malaysian, aged 59, was appointed as a Director of Gadang on 19 May 1997. He is the Chairman of the Audit Committee, Remuneration Committee and ESOS Committee. He is also a member of the Nomination Committee.

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

Currently, Encik Adam is the senior partner of the legal firm, Messrs Adam Bachek & Associates. Encik Adam does not hold any directorship in any other public company.

PROFILE OF DIRECTORS (Cont'd)

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

Datuk Wan Lokman Bin Dato' Wan Ibrahim, a Malaysian, aged 61, was appointed as a Director of Gadang on 19 May 1997. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

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

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

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

LING HOCK HING
Executive Director

Mr Ling Hock Hing, a Malaysian aged 42, joined the Board on 19 May 1997 as an Alternate Director and was subsequently appointed as an Executive Director on 2 September 1997. He is a member of the Audit Committee and Risk Management Committee.

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

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

PROFILE OF DIRECTORS (Cont'd)

CHAN AH KAM @ CHAN AH THOONG

Executive Director

Mr Chan Ah Kam, a Malaysian aged 54, joined the Board on 1 February 2001 as an Executive Director. He is a member of the Risk Management Committee.

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

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

OTHER INFORMATION ON DIRECTORS

Family Relationship

None of the Directors has any family relationship with any Director and/or major shareholder of the Company, except for Dato' Kok Onn who is the spouse of Datin Chan Ngan Thai, a major shareholder of the Company.

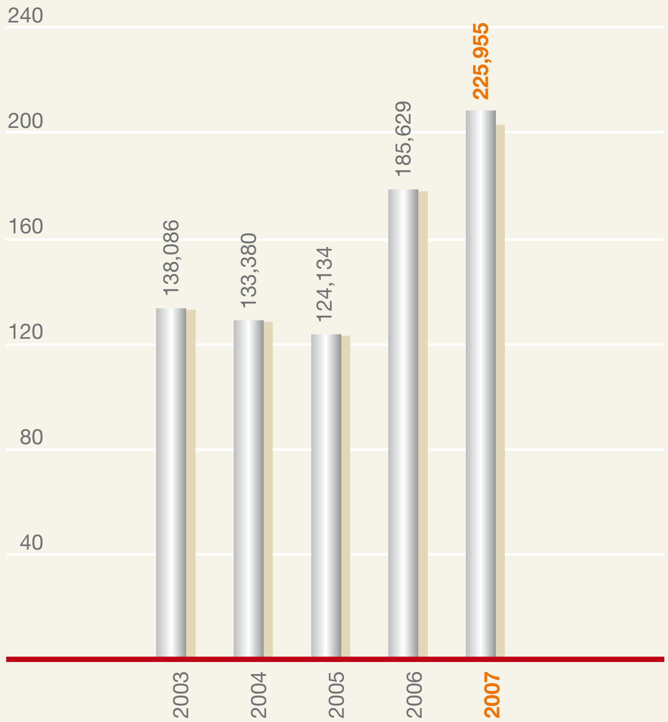
Conflict of Interest

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

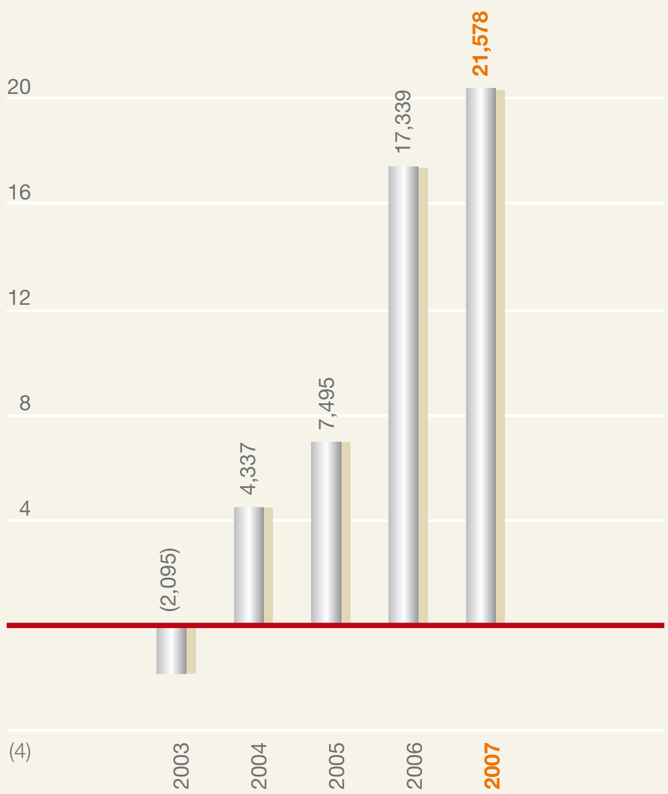
Conviction for Offences

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

FINANCIAL HIGHLIGHTS



TURNOVER (RM'000)



PROFIT BEFORE TAXATION (RM'000)

Year Ended 31 May (RM'000)	2007	2006	2005	2004	2003
Turnover	225,955	185,629	124,134	133,380	138,086
Profit/(Loss) Before Taxation	21,578	17,339	7,495	4,337	(2,095)
Profit/(Loss) After Taxation	14,038	11,863	4,686	2,553	(2,939)
Profit/(Loss) Attributable to Shareholders	13,799	11,916	5,030	3,612	(3,056)
Shareholders' Funds	163,409	140,687	119,505	111,803	55,405
Total Tangible Assets	295,816	285,577	222,762	217,985	226,021
Net Earnings Per Share (RM)	0.1262	0.1144	0.06	0.06	(0.07)
Net Assets Per Share (RM)	1.41	1. 33	1.24	1.45	1.16

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Financial Statements of Gadang Holdings Berhad ("Company") and its group of companies ("the Group") for the financial year ended 31st May 2007.

DATO' KAMARUDDIN BIN ABDUL GHANI
Chairman / Independent Non-Executive Director

CHAIRMAN'S STATEMENT (Cont'd)

Marina, Pulau Tioman

Hyperoffice Jaya 33, Petaling Jaya

OVERVIEW

The Malaysian economy was stronger and more resilient in 2006 compared to previous year and the real gross domestic product (GDP) expanded to 5.9% from 5.3%. This was mainly driven by domestic activities particularly in the private sector amidst high export demand for primary commodities.

The construction sector only improved with a more moderate contraction while the properties sector particularly the residential segment returned to a more moderate pace following several years of strong expansion. Both the sectors also had to contend with escalating material prices as well as disruptions in supply.

However, the Group has commendably weathered the tough operating environment. We continue to exercise diligence in our businesses and make further inroads on water concession business in Indonesia.

FINANCIAL REVIEW

For the financial year under review, the Group posted an improved performance with its profit after taxation increased by 18% to RM14.04 million from RM11.86 million previously and its revenue increased to RM226 million from RM186 million recorded in the previous financial year.

The improved performance was attributed to increase in turnover and profit contributed by both the Engineering and Construction Division and Property Division.

In the financial year under review, the issued and paid up share capital of the Company had increased by RM10.645 million to RM116.659 million from RM106.014 million previously. The shareholders' fund also increased by 16% to RM163.41 million from RM140.69 million in previous year. The net assets per share increased to RM1.41 as compared to RM1.33 previously.

DIVIDEND

The Board of Directors is pleased to recommend a final dividend of 2.5 sen per share less income tax 27% (2006: 2 sen per share less income tax 28%) for the approval of shareholders at the forthcoming Annual General Meeting. The total dividend to be paid out for the financial year ended 31 May 2007, net of tax is RM2.13 million (2006 : RM1.53 million).

CORPORATE DEVELOPMENTS

September 2006

Splendid Pavilion Sdn Bhd, a 100% subsidiary company of Gadang Land Sdn Bhd ("GLSB") entered into a joint venture agreement with Multiforum Sdn Bhd to jointly develop a piece of freehold land measuring approximately 6 acres in Segambut, Kuala Lumpur into a housing development known as Taman Seri Bukit Segambut. The housing project was officially launched on 7 July 2007.

CHAIRMAN'S STATEMENT (Cont'd)

PT Hanarida Tirta Birawa, Indonesia

M Avenue, Segambut

February 2007

The Company completed a private placement of 10,600,000 ordinary shares of RM1.00 each at an issue price of RM1.00 per share. The proceeds of this exercise were utilized for working capital purposes.

May 2007

The Company entered into a Memorandum of Understanding with Qingxiu District Government, Nanning, Guangxi Province, China for purposes of participating in the investment of a waste water treatment plant in the area.

July 2007

Asian Utilities Pte Ltd, a 100% owned subsidiary of Regional Utilities Sdn Bhd, entered into a Sale and Purchase of Shares Agreement with three vendors to acquire from the vendors their respective shares representing 85% equity interest in PT Hanarida Tirta Birawa ("HTB"), a company incorporated in Indonesia, for a purchase price of IDR64.2 billion (equivalent to approximately RM24.0 million).

HTB has a Cooperation Agreement with Perusahaan Daerah Air Minum Delta Tirta ("PDAM") Kabupaten Sidoarjo, Indonesia to rehabilitate, uprating, operate and transfer for water treatment and supply for a period of 20 years commencing from 8 June 2004 in Sidoarjo, Indonesia.

September 2007

The Company announced that it proposes to seek a transfer of the listing of and quotation for its entire issued and paid-up share capital from the Second Board to the Main Board of Bursa Malaysia Securities Berhad and is currently making submissions to the relevant authorities.

CORPORATE GOVERNANCE

The Board of Directors is committed to ensure that the highest standards of corporate governance in accordance with the Malaysia Code of Corporate Governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of Gadang and its group of companies.

The Board will also be vigilant in their effort towards enhancing corporate governance and recognizes that the corporate governance is a continuous process and requires periodic review and refinement.

A detailed Corporate Governance statement can be found on pages 20 to 24 of this Annual Report.

OUTLOOK AND PROSPECTS

The global and regional economic outlooks are expected to remain challenging with the on-going sub-prime issues and continue rise of crude oil prices. However, the Malaysian economy is expected to remain strong with growth projected between 6.0% to 6.5% in 2008, propel by the roll out of 9th Malaysian Plan and the intensified development in the various developments corridors launched which will augur well for the construction sector.

CHAIRMAN'S STATEMENT (Cont'd)

Seri Aman Heights, Sungai Buloh

Seri Aman Heights, Sungai Buloh

The property sector is envisaged to be more positive arising from the various steps taken by the Government to boost demand for the industry which include among others, the more lenient policies for foreigners to own properties and waiver of real property gain tax. Notwithstanding the aforesaid, the sector continues to face challenges particularly in the increasing material and energy costs and also growing competitiveness.

The Group will continue to improve its financial position and performance and will also intensify its efforts to diversify its earning stream and to pursue cost optimization. Notwithstanding the challenging business environment, we are optimistic that the Group will perform satisfactory in year 2008.

ACKNOWLEDGEMENT

On behalf the Board of Directors, I would like to take this opportunity to extend my appreciation to the management and all the employees for their contribution, loyalty, undying commitment and dedicated service towards the Group in the past years. My heartfelt appreciation also goes out to our shareholders, financiers, customers, suppliers and business associates for their confidence and support.

My sincere appreciation also goes to the relevant government and regulatory authorities, capital market analysts and media for their support.

Last but not least, I also take this opportunity to express my gratitude to my fellow colleagues on the Board for their professionalism and dedicated contribution to steer the Group towards excellence.

The Group looks forward to achieve even greater heights in the coming years.

DATO' KAMARUDDIN BIN ABDUL GHANI
Chairman
1 October 2007

MANAGING DIRECTOR

CUM CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

Dear Shareholders

After a long lack luster period of being bogged down by a dearth in local jobs following the country's fiscal consolidation, the announcement and implementation of the 9MP has brought about greater hope to the local construction sector. The industry recorded a 0.5% contraction in 2006, and increased significantly by 4.4% in the first half of 2007.

Against a backdrop of intense competition and challenging sectoral dynamics during financial year 2007, the Group delivered a strong and creditable financial performance in both revenue and pre-tax profit

DATO' KOK ONN
Managing Director cum Chief Executive Officer

MANAGING DIRECTOR (Cont'd)

CUM CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

Taman Sri Aman, Petaling Jaya

Mines Heritage, Sungai Besi

Earthworks, Terengganu

ENGINEERING AND CONSTRUCTION

The Engineering and Construction Division, spearheaded by Gadang Engineering (M) Sdn Bhd ("GESB"), remains as the main contributor to the Group with RM158.13 million and RM6.84million of revenue and profit after tax respectively for the financial year under review as compared to RM121.79million and RM3.14million of revenue and profit after tax respectively in the previous financial year,. The Division contributed approximately 70% of the Group's total revenue.

For the year under review, the Division successfully completed a number of contracts which among others were Marina Development and Infrastructure Improvement work at Pulau Tioman, Pahang and the Integrated Commercial Development at Lot 33, Section 13, Petaling Jaya, Selangor Darul Ehsan.

Currently the Division's order book stands at approximately RM508.7 million. The major contracts in progress are:

1. Kemuning-Shah Alam Highway in Shah Alam, Selangor Darul Ehsan;

2. Construction of 233 units medium cost apartment in Taman Sri Aman, Petaling Jaya, Selangor Darul Ehsan;

3. Construction of commercial complex comprising offices, shops and service apartments and car park with facilities at Mines Resort City, Sungai Besi, Selangor Darul Ehsan; and

4. Earthworks and drainage works at Lebuh Raya Pantai Timur Fasa 2, Terengganu Darul Iman.

Datapuri Sdn Bhd which is involved in mechanical and electrical (M&E) works has recorded an improvement in its performance. Turnover for the year had increased to RM16.20 million from RM7.24 million in the previous year. The book order for its M&E works stands at RM22 million.

PROPERTY DEVELOPMENT

The property development scenario has remained positive where demand for housing continues to be resilient due to sustained income growth and stable job prospects. More innovative financial products for property loan have helped cushion the impact of rising interest rates and continue to support demand.

Over the years, the Property Division has gained considerable skills and experiences in property development. For the year under review, the Division contributed RM60.62 million to the Group's revenue, with a profit after tax of RM9.97 million, as compared with the revenue of RM56.91 million and profit after tax of RM6.49 million in the previous financial year. The higher revenue recorded in the year under review was mainly due to higher sales achieved for Sri Ixora project in Shah Alam, Selangor and M Avenue project in Segambut, Kuala Lumpur

MANAGING DIRECTOR (Cont'd)

CUM CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

Sri Ixora, Shah Alam

Taman Seri Bukit Segambut, Segambut

PROPERTY DEVELOPMENT (CONT'D)

The major on-going projects are as follows:

1. **Sri Ixora, Shah Alam, Selangor** - This development consists of 600 units of medium cost apartment with a gross development value ("GDV") of RM65.5 million. The units sold to-date are 584, representing 97.33% of total sales;

2. **M Avenue, Segambut, Kuala Lumpur** – consists of 62 blocks of 3 & 4 storey retail and office suite with a GDV of RM54 million, is located within the vicinity of Mont' Kiara and Sri Hartamas. The units sold to-date are 31, representing 50% of total sales;

3. **Taman Seri Bukit Segambut, Segambut, Kuala Lumpur** – a joint-venture development comprising 54 units of 3 storey link houses with a GDV of RM40 million, was launched on 7 July 2007. These exclusive and spacious homes are located next to the established areas of Kepong, Desa Park City, Sunway SPK and Mont' Kiara; and

4. **Taman Pinggiran Pelangi, Rawang, Selangor** – a total of 423 units landed residential terrace houses to be developed with a GDV of RM46.7 million comprising 368 units of single-storey terrace houses; 38 units of 1½ storey semi-detached houses and 22 units of 1 storey semi-detached houses. Phase 1A comprising 84 units has received very good response with sales of more than 90% achieved. Phase 1B comprising 82 units of single-storey terrace houses is currently opened for sales.

MANUFACTURING AND TRADING

The Division has commenced business development into other market sectors besides its traditional construction and property market sectors. Besides the manufacturing of decorative and protective coatings, the Division has embarked on manufacturing specialized anti-corrosion products for the oil & gas, marine and power sectors. The new products include cathodic protection systems, environmental-friendly hygiene coatings, floor coatings, and fluorocarbon-coated bolts & nuts. The Division also embarked on providing specialized engineering services for the oil & gas industries such as thermal spray coating services, fireproofing services, and corrosion monitoring & inspection services.

The Division recorded revenue of RM3.67 million and a loss of RM1.47 million in the current financial year as compared to a turnover of RM4.28 million and a loss of RM1.2 million in the previous financial year. The strategy to extend its business into other related products and services and other market sectors will assist the Division to turnaround its performance.

Leigh's Paints

MANAGING DIRECTOR (Cont'd)

CUM CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

Taman Pinggiran Pelangi, Rawang

PT Taman Tirta Sidoarjo, Indonesia

WATER CONCESSION

The Company has identified the utilities sector as a growth industry and plans to develop utilities as one of the core and profitable division. Gadang has within three years made significant expansion into the treated water supply concession in Indonesia and plans to further penetrate the market.

Asian Utilities Pte Ltd ("AUPL") is the vehicle to pursue investment opportunities in the utilities industry in treated water supply. AUPL owns 95 per cent of PT Taman Tirta Sidoarjo, one of the first few private-owned water supply concessionaire, which owns and operates a water treatment plant and water supply concession in Sidoarjo, Surabaya. It also owns PT Bintang Hytien Jaya, a treated water supply concession company in Kota Tangerang. The Company will be completing the acquisition of PT Sarana Catur Tirtakelola, which has a concession to supply treated water in Serang and PT Hanarida Tirta Birawa which owns a water supply concession and operates a water-treatment plant in Sidoarjo.

The Company intends to build a definite foothold in the treated water supply industry in Indonesia. Further growth is envisioned by acquiring new concessions or expanding on the current concession. The utilities division, in particular treated water supply will contribute positively to the profits and enhance the growth of the Group for the years to come.

The Division has contributed RM3.81 million to the Group's revenue for the financial year under review.

IN APPRECIATION

The Company has made the announcement on the Proposed Transfer to the Main Board of Bursa Malaysia Securities Berhad and will be making submission of the said proposal to Securities Commission. Listing on the Main Board will better reflect the current stature of operations of the Group and will accord the Company with greater recognition and acceptance among financiers and investors, particularly institutional investors.

To each and every Gadang employee, I would like to express my sincere appreciation for their contributions, dedication and undivided commitment to grow with the Company.

I would also like to thank all our clients and customers for their confidence and support to be their successful partners to their projects and to the Group's products and services.

Dato' Kok Onn
Managing Director cum Chief Executive Officer
1 October 2007

AUDIT COMMITTEE REPORT

MEMBER AND ATTENDANCE OF MEETING

The Audit Committee comprises the following members:

Adam Bin Bachek
Chairman/Independent Non-Executive Director

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

Dato' Kamaruddin Bin Abdul Ghani
Member/ Independent Non-Executive Director

Ling Hock Hing*
Member/Executive Director

The Audit Committee convened five (5) meetings during the financial year ended 31 May 2007. The details of attendance of each member at Audit Committee meetings are as follows:

Name of Committee Member	Attendance
Encik Adam Bin Bachek	5 out of 5
Datuk Wan Lokman Bin Dato' Wan Ibrahim	4 out of 5
Dato' Kamaruddin Bin Abdul Ghani	5 out of 5
Ling Hock Hing*	5 out of 5

The Managing Director cum Chief Executive Officer, the Internal Audit Manager and the Finance Manager were also invited to attend the audit committee meetings. The external auditors were also invited to attend two of these meetings.

Note:
* Subsequent to the financial year ended 31 May 2007, Mr. Ling Hock Hing resigned as a member of the Audit Committee on 1 October 2007 to comply with the revised Malaysian Code on Corporate Governance which took effect on 1 October 2007.

SUMMARY OF ACTIVITIES

During the financial year ended 31 May 2007, the Audit Committee carried out the following activities:

1. **Financial Results**

   a. Reviewed the quarterly results and annual reports of the Company and the Group prior to submission to the Board for their consideration and approval; and

   b. Reviewed and discussed the audited financial statements with the external auditors prior to recommending the same to the Board for approval.

2. **Internal Audit**

   a. Reviewed and approved the internal audit plan;

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

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

3. **Risk Management**

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

4. **External Audit**

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

5. **Recurrent Related Party Transactions**

   Reviewed the recurrent related party transactions entered into by the Company and its subsidiaries and the Circular to Shareholders in relation to recurrent related party transactions with related parties.

TERMS OF REFERENCE

Composition

The Audit Committee shall be appointed by the Board of Directors from amongst the Directors and shall compose of not fewer than three members, a majority of whom shall be Independent, Non-Executive Directors and at least one member must be a member of the Malaysian Institute of Accountants or possesses such other qualifications and/or experience as approved by the Bursa Malaysia Securities Berhad. The Chairman shall be an Independent, Non-Executive Director appointed by the Board.

AUDIT COMMITTEE REPORT (Cont'd)

If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three, the Board of Directors shall, within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

Meetings

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

Other Board members and employees may attend meetings upon the invitation of the Audit Committee. However, at least once a year, the Committee shall meet with the external auditors without any executive Board member present. In order to form a quorum, the majority of members present must be independent directors.

Authority

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both internal and external auditors and to all employees of the Group. The Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary.

Duties

The duties of the Committee shall include:

a. To consider the appointment of external auditors and the audit fee

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

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

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

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

f. To do the following in relation to the internal audit function:
   - review the adequacy of scope, function and resources of the internal audit department and that it has the necessary authority to carry out its work
   - review internal audit programme
   - ensure co-ordination of external audit with internal audit
   - consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function
   - review any appraisal or assessment of the performance of the staff of the internal audit function
   - be informed of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason for resignation

g. To review any related party transactions that may arise within the Company and the Group.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Group has an internal audit department which reports directly to the Audit Committee. The internal audit department is responsible to undertake independent, regular and systematic reviews of the systems of financial and operational controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively.

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

STATEMENT OF CORPORATE GOVERNANCE

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

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

Set out below is a statement of how Gadang has applied the principles and the extent of its compliance with the Best Practices of the Code during the financial year ended 31 May 2007

A. BOARD OF DIRECTORS

Board composition and Balance

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

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

The roles of the Chairman and Managing Director cum Chief Executive Officer are distinct and separate with a clear division of responsibilities. This ensures a balance of power and authority. The Chairman leads the Board and is responsible for ensuring its effectiveness. The Managing Director cum Chief Executive Officer is responsible for the efficient and effective management of the business and operations of the Company.

Board Meetings

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

During the financial year ended 31 May 2007, five (5) Board meetings were held and the attendance of Board members is as follows:

Directors	No. of Meetings Attended	Percentage
Dato' Kamaruddin Bin Abdul Ghani	5 out of 5	100%
Dato' Kok Onn	5 out of 5	100%
Mr Koay Teng Keong	5 out of 5	100%
Datuk Wan Lokman Bin Dato' Wan Ibrahim	3 out of 5	60%
Encik Adam Bin Bachek	4 out of 5	80%
Mr Ling Hock Hing	5 out of 5	100%
Mr Chan Ah Kam @ Chan Ah Thoong	5 out of 5	100%

Supply of Information

All Directors are provided with an agenda and a set of Board papers prior to the Board meeting. The Board papers are dispatched to the Directors in advance of Board meetings to enable the Directors have sufficient time to understand issues to be deliberated at the Board meeting and expedite the decision making process.

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

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

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

Appointments to the Board

The Nomination Committee is responsible for reviewing the Board composition and recommending to the Board appointments of new Directors by evaluating and assessing the suitability of candidates for Board membership. During the year, no new appointment was made to the Board as the Board is of the opinion that the present mix of experience and expertise is adequate and capable in overseeing and ensuring the Group's strategies are properly considered and implemented.

Re-election of Directors

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

Directors' Training

All the Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Securities. The Directors will continue to attend seminars and courses to keep themselves updated on regulatory and corporate governance developments, besides enhancing their professionalism and knowledge to effectively discharge their duties and obligations.

During the financial year under review, the Directors had attended the following training programmes:

1) Implementing Business Plan Strategies;
2) Intensive Course on Turnkey/Design & Build Contract in Engineering & Construction Projects; and
3) International Construction Conference 2006 on Challenges of Global Mega Projects.

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

Board Committees

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

a) Audit Committee

The Audit Committee Report is set out on pages 18 and 19 of the Annual Report.

b) Nomination Committee

The Nomination Committee consists of the following members:

Dato' Kamaruddin Bin Abdul Ghani
(Chairman/Independent Non-Executive Director)

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

Encik Adam Bin Bachek
(Independent Non-Executive Director)

The primary functions of the Nomination Committee are as follows:

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

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

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

c) Remuneration Committee

The Remuneration Committee consists of the following members:

Encik Adam Bin Bachek
(Chairman/Independent Non-Executive Director)

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

Dato' Kok Onn
(Executive Director)

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

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

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

d) Executive Committee

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

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

The Executive Committee meets bi-monthly.

e) ESOS Committee

The ESOS Committee is responsible for implementing and administering the Employees' Share Option Scheme of the Company. The ESOS Committee comprises Encik Adam Bin Bachek (Chairman), Dato' Kamaruddin Bin Abdul Ghani and Dato' Kok Onn.

f) Risk Management Committee

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

B. DIRECTORS' REMUNERATION

Level and Make-up of Remuneration

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

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

Details Directors' Remuneration

The aggregate Directors' remuneration paid or payable to all Directors of the Company categorized into appropriate components for the financial year ended 31 May 2007 are as follows:

Total Remuneration	Executive Directors RM	Non-Executive Directors RM	Total RM
Salary and other emoluments	1,580,561	-	1,580,561
Benefits-in-kind	30,900	-	30,900
Fees	-	73,000	73,000
Total	**1,611,461**	**73,000**	**1,684,461**

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

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

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

C. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

Investor Relations and Shareholders Communication

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

The Company conducts briefings with financial analysts, institutional investors and fund managers on the Group's financial results, performance and potential new developments or business. Press briefings are also held to brief members of the media on key events of the company. In addition, the Group has established website at www.gadang.com to further enhance investor relations and shareholders' communication, including their access to information about the Company and the Group.

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

Annual General Meeting

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

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

D. ACCOUNTABILITY AND AUDIT

Financing Reporting

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

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

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

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

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

Internal Controls

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

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

A Statement of Internal Control of the Group is set out on Pages 25 and 26 of the Annual Report.

Relationship with External Auditors

The Board maintains a formal and transparent relationship with the external auditors in seeking professional advice and ensuring compliance with the relevant accounting standards. The role of the Audit Committee in relation to the external auditors is set out on page 18 to 19 of the Annual Report.

STATEMENT ON INTERNAL CONTROL

BOARD RESPONSIBILITY

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

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

RISK MANAGEMENT FRAMEWORK

The Group had implemented a Risk Management Framework since August 2004. The Risk Management Framework is designed to identify, assess, manage and monitor the significant business risks the Group faces in its business operations. The management is responsible to identify and assess the Key Risks and to formulate action plans to manage the Key Risks. The Risk Management Committee oversees the risk management activities of the Group. Risk management reports are submitted periodically to the Risk Management Committee on the Key Risks and the action plans to manage these risks.

INTERNAL AUDIT

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

OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

The following key processes are in place in the Group system of internal controls:

- An appropriate and well defined Group organisational structure with proper lines of responsibility and delegation of authority to the Board, Committees, the Management and the operating units

- Laid down policies, procedures and guidelines on financial, operational and compliance controls and are updated as necessary. This includes financial authority limits, budgetary planning and monitoring, capital expenditure approval, credit control, human resources.

STATEMENT ON INTERNAL CONTROL (Cont'd)

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

- A budgeting and forecasting process in which each business unit submits a business plan annually for approval by the Board.

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

- The Executive Committee meets bi-monthly to discuss and resolve on key operational corporate, financial, legal and regulatory matters.

- The Audit Committee and the Board monitor and review the Group performance and results at quarterly meetings deliberating on significant internal control and performance issues.

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

CONCLUSION

The Board of Directors is committed towards operating a sound system of internal controls and recognized that the system must continuously evolve to support the type of business, size of operations and the environment the Group operates in. The system of internal controls will be continually reviewed and enhanced to embed a risk based approach to the Group business activities. During the current financial year no major control weaknesses were discovered. Overall the Board is satisfied that the system of internal controls is adequate and operating satisfactorily in the year under review.

OTHER INFORMATION

- **Utilisation of Proceeds Raised from Corporate Proposal**

  The proceeds raised from the Private Placement of the company amounting to RM10.6 million have been fully utilised as intended during the financial year.

- **Share Buybacks**

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

- **Options, Warrants or Convertible Securities**

  During the financial year, 45,000 options under the Company's Employees Share Option Scheme were exercised into 45,000 ordinary shares of RM1.00 each in the Company.

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

- **Imposition of Sanctions/Penalties**

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

- **Profit Guarantees**

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

- **Revaluation of Landed Properties**

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

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

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

- **Material Contracts**

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

- **Recurrent Related Party Transactions of Revenue Nature**

  At the Annual General Meeting on 16 November 2006, the Company had obtained a mandate from its shareholders to allow the Gadang Group to enter into recurrent related party transactions of a revenue or trading nature and for the provision of financial assistance. The aggregate value of the recurrent transactions conducted for the year under review between the Company and/or its subsidiary companies with related parties are set out below:

Name of Related Party	Relationship	Nature of Transactions	The Company	Aggregate Value RM'000
Kok Khim Boon	Kok Khim Boon is a brother of Dato' Kok Onn ("DKO") who is the Managing Director cum Chief Executive Officer and major shareholder of Gadang	Provision of sub-contract works	Gadang Group	276
Kok Thiam Fook	Kok Thiam Fook is a cousin of DKO.	Provision of sub-contract works	Gadang Group	23
KNL Jaya Construction Sdn Bhd ("KNL")	KNL is 35% owned by Madam Lee Koi Seong, the spouse of Mr Kok Kiw who is a brother of DKO.	Provision of sub-contract works	Gadang Group	7,013
Magnibiz Sdn Bhd ("Magnibiz")	Magnibiz is 50% owned by Mr Chan Kim Fatt, the brother of Datin Chan Ngan Thai who is a major shareholder of Gadang and the brother-in-law of DKO.	Provision of sub-contract works	Gadang Group	1,683

OTHER INFORMATION (Cont'd)

Name of Related Party	Relationship	Nature of Transactions	The Company	Aggregate Value RM'000
Kim Master Tiling & Builders Sdn Bhd ("KMTB")	KMTB is 40% owned by Koay Teng Huat, a brother of Koay Teng Keong who is an Executive Director of Gadang	Provision of sub-contract works	Gadang Group	3,578
Datapuri Sdn Bhd ("DPSB")	DPSB is a 51% owned subsidiary of Gadang and 49% owned by Exclusive Acres Sdn Bhd ("EASB"). Liew Swee Kong and Chan Kim Lian who are directors and shareholders of EASB are the nephew and sister-in-law of DKO.	• Office Rental	Gadang Properties Sdn Bhd	67
		• Provision of mechanical & engineering subcontract works by DPSB	Gadang Group	6,863
		• Provision of management services by Gadang	Gadang	69
		• Financial Assistance	Gadang Group	3,000
GLP Resources (M) Sdn Bhd ("GLPRSB") and its subsidiaries	GLPRSB is a 70% owned subsidiary of Gadang and 30% owned by Premierex Sdn Bhd. DKO is also a director and major shareholder of Premierex Sdn Bhd.	• Purchase of protective and decorative paints from GLPRSB and its subsidiaries	Gadang Group	1,291
		• Provision of management services by Gadang	Gadang	149
		• Financial Assistance	Gadang Group	1,657
Globe Leigh's Paints (Shanghai) Co. Ltd ("GLPSCL")	GLPSCL, a company incorporated in Shanghai, China is 70% owned by DKO.	Sale of protective and decorative paints to GLPSCL.	GLP Manufacturing (M) Sdn Bhd	94

FINANCIAL STATEMENTS

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2007.

PRINCIPAL ACTIVITIES

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

The principal activities of its subsidiaries are described in Note 14 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit for the year	14,037,556	630,801
Attributable to:		
Equity holders of the Company	13,799,004	630,801
Minority interests	238,552	-
	14,037,556	630,801

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 May 2006 were as follows:

	RM
In respect of the financial year ended 31 May 2006 as reported in the directors'report of that year:	
Final dividend of 2% less 28% taxation, on 106,014,037 ordinary shares, approved on 16 November 2006 and paid on 28 December 2006	1,526,602

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 May 2007, of 2.5% less 27% taxation amounting to a dividend payable of RM2,129,027 (1.83 sen net per ordinary share) based on the paid-up share capital as at 31 May 2007 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 May 2008.

DIRECTORS' REPORT (Cont'd)

DIRECTORS

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

Dato' Kamaruddin bin Abdul Ghani
Dato' Kok Onn
Koay Teng Keong
Datuk Wan Lokman bin Dato' Wan Ibrahim
Adam bin Bachek
Ling Hock Hing
Chan Ah Kam @ Chan Ah Thoong

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Options Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 35 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1 Each			
	1.6.2006	**Acquired**	**Sold**	**31.5.2007**
Gadang Holdings Berhad				
Direct Interest				
Dato' Kok Onn	2,650,000	-	-	**2,650,000**
Koay Teng Keong	21,000	-	-	**21,000**
Ling Hock Hing	52,000	-	-	**52,000**
Chan Ah Kam @ Chan Ah Thoong	21,000	-	-	**21,000**
Indirect Interest				
Dato' Kok Onn	30,519,200	3,348,000	-	33,867,200

	Number of Options over Ordinary Shares of RM1 Each			
	1.6.2006	**Granted**	**Exercised**	**31.5.2007**
Gadang Holdings Berhad				
Koay Teng Keong	307,000	-	-	**307,000**
Ling Hock Hing	307,000	-	-	**307,000**
Chan Ah Kam @ Chan Ah Thoong	307,000	-	-	**307,000**

DIRECTORS' REPORT (Cont'd)

DIRECTORS' INTERESTS (Cont'd)

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

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

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM106,014,037 to RM116,659,037 by way of:

(i) the issuance of 10,600,000 ordinary shares of RM1.00 each at par for cash through a private placement, for additional working capital purposes; and

(ii) the issuance of 45,000 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Options Scheme at an exercise price of RM1.00 per ordinary share.

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

EMPLOYEE SHARE OPTIONS SCHEME

The Gadang Holdings Berhad's Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 8 May 2002. The ESOS was implemented on 1 November 2002 and is to be in force for a period of 5 years from the date of implementation.

The salient features of the ESOS are as follows:

(i) Eligible persons are employees of the Group (including executive directors) who have been confirmed in the employment of the Group and have served for at least one year before the date of the offer. The eligibility for participation in the ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors.

(ii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS.

(iii) The option price for each share shall be set at a discount of not more than 10% from the five days weighted average market price of the Company's shares immediately preceding the offer date as shown in the daily official list issued by the Bursa Malaysia Securities Berhad, or the par value of the shares of the Company of RM1.00, whichever is the higher.

(iv) No option shall be granted for less than 1,000 shares nor more than 500,000 shares to any eligible employee.

(v) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company commencing from the date of the offer but before the expiry of five years from 1 November 2002.

DIRECTORS' REPORT (Cont'd)

EMPLOYEE SHARE OPTIONS SCHEME (Cont'd)

(vi) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than those specified in a resolution approving the distribution of dividends prior to their exercise dates.

(vii) The persons to whom the options have been granted are not eligible to participate in any other share option scheme of any other company within the Group.

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

	Number of Share Options	
	2007	**2006**
At 1 June 2006/2005	**2,927,000**	3,286,000
Cancelled/Lapsed	**(175,000)**	(359,000)
Exercised	**(45,000)**	-
At 31 May	**2,707,000**	2,927,000

The options granted may be exercised at any time in the following manner:

	Percentage of Options Exercisable				
Number of Options Granted	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Below 20,000	30%	30%	40%	-	-
20,000 to less than 100,000	30%	30%	20%	20%	-
100,000 and above	20%	20%	20%	20%	20%

Any options exercisable in a particular year but not exercised can be carried forward to the subsequent years subject to the time limit of the scheme.

Exemption has been granted by the Companies Commission of Malaysia for the non-disclosure of names of eligible employees who have been granted with options below 100,000 units. The names of eligible employees who have been granted with options of more than 100,000 units are as follows:

Name	**Number of share options**
Koay Teng Keong	500,000
Ling Hock Hing	500,000
Chan Ah Kam @ Chan Ah Thoong	500,000
Saw Chee Hoay	300,000
Liew Swee Kong	300,000
Hew Thean Poh	120,000
	2,220,000

DIRECTORS' REPORT (Cont'd)

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

(f) In the opinion of the directors:

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

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

DIRECTORS' REPORT (Cont'd)

SIGNIFICANT EVENTS

The significant events during the financial year are disclosed in Note 39 to the financial statements.

SUBSEQUENT EVENTS

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

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 August 2007.

Dato' Kok Onn

Koay Teng Keong

STATEMENT BY DIRECTORS

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

We, Dato' Kok Onn and Koay Teng Keong, being two of the directors of Gadang Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 38 to 104 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia and so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 August 2007.

Dato' Kok Onn

Koay Teng Keong

STATUTORY DECLARATION

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

I, Ling Hock Hing, being the director primarily responsible for the financial management of Gadang Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 38 to 104 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
Ling Hock Hing at Kuala Lumpur in the
Federal Territory on 24 August 2007.

Before me,

KARAM SINGH A/L SUDAGAR SINGH PMC
PESURUHJAYA SUMPAH
(COMMISSIONER FOR OATHS)
Lot 1, Bazaar 4,
Level 1, Blok G, (Selatan),
Pusat Bandar Damansara,
50490 Kuala Lumpur,
MALAYSIA.

PESURUHJAYA SUMPAH
No. W 353
KARAM SINGH A/L
SUDAGAR SINGH. PMC
MALAYSIA

Lot 1, Bazaar 4
Level 1, Block G (Selatan)
Pusat Bandar Damansara
50490, Kuala Lumpur
MALAYSIA

Ling Hock Hing

REPORT OF THE AUDITORS

TO THE MEMBERS OF GADANG HOLDINGS BERHAD
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 38 to 104. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:

    (i) the financial position of the Group and of the Company as at 31 May 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and

    (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

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

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

Ernst & Young
AF: 0039
Chartered Accountants

Lee Seng Huat
No. 2518/12/07(J)
Partner

Kuala Lumpur, Malaysia
24 August 2007

INCOME STATEMENTS

FOR THE YEAR ENDED 31 MAY 2007

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Revenue	4	**225,955,100**	185,629,047	**5,496,000**	2,600,000
Cost of sales	5	**(182,448,760)**	(147,928,257)	**-**	-
Gross profit		**43,506,340**	37,700,790	**5,496,000**	2,600,000
Other income		**2,396,471**	10,696,183	**425,489**	9,096,299
Administration expenses		**(7,819,018)**	(7,229,407)	**(2,082,341)**	(2,114,382)
Other expenses		**(12,343,689)**	(20,142,561)	**(920,207)**	(1,131,017)
Finance costs	6	**(4,161,994)**	(3,685,640)	**(1,765,873)**	(1,614,598)
Share of results of associate		**(25)**	-	**-**	-
Profit before tax	7	**21,578,085**	17,339,365	**1,153,068**	6,836,302
Income tax (expense)/credit	10	**(7,540,529)**	(5,476,474)	**(522,267)**	1,368,004
Profit for the year		**14,037,556**	11,862,891	**630,801**	8,204,306
Attributable to:					
Equity holders of the Company		**13,799,004**	11,916,393	**630,801**	8,204,306
Minority interests		**238,552**	(53,502)	**-**	-
		14,037,556	11,862,891	**630,801**	8,204,306
Earnings per share attributable to equity holders of the Company (sen):					
- Basic	11	**12.62**	11.44		
- Diluted	11	**12.62**	11.43		
Net dividend per share (sen)	34	**1.44**	-	**1.44**	-

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

BALANCE SHEETS

AS AT 31 MAY 2007

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
ASSETS					
Non-current assets					
Property, plant and equipment	12	**26,238,324**	26,284,110	**49,181**	56,419
Investment properties	13	**623,631**	628,560	**-**	-
Investments in subsidiaries	14	**-**	-	**85,157,847**	85,157,847
Investment in associate	15	**-**	-	**-**	-
Other investments	16	**402,200**	334,447	**-**	-
Goodwill on consolidation	17	**16,972,393**	15,757,533	**-**	-
Deferred tax assets	28	**1,585,194**	1,501,777	**-**	-
		45,821,742	44,506,427	**85,207,028**	85,214,266
Current assets					
Property development costs	18	**85,481,500**	105,275,343	**-**	-
Amounts due from customers on contracts	19	**24,063,065**	34,719,493	**-**	-
Inventories	20	**16,238,054**	3,036,556	**-**	-
Trade and other receivables	21	**120,694,456**	85,305,857	**122,523**	218,673
Amounts due from subsidiaries	22	**-**	-	**80,034,268**	74,479,711
Tax recoverable		**1,573,778**	1,416,597	**585,893**	977,780
Fixed deposits	23	**7,920,709**	13,680,406	**1,640,000**	-
Cash and bank balances	23	**5,791,578**	6,740,480	**97,549**	142,893
		261,763,140	250,174,732	**82,480,233**	75,819,057
Assets held for sale	24	**6,788,500**	8,156,100	**-**	-
		268,551,640	258,330,832	**82,480,233**	75,819,057
TOTAL ASSETS		**314,373,382**	302,837,259	**167,687,261**	161,033,323

BALANCE SHEETS (Cont'd)

AS AT 31 MAY 2007

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	25	**116,659,037**	106,014,037	**116,659,037**	106,014,037
Reserves	26	**46,684,534**	34,609,920	**28,417,129**	29,487,160
ICULS	27	**65,119**	63,255	**65,119**	63,255
		163,408,690	140,687,212	**145,141,285**	135,564,452
Minority interests		**878,484**	461,194	**-**	-
Total equity		**164,287,174**	141,148,406	**145,141,285**	135,564,452
Non-current liabilities					
ICULS	27	**654**	2,510	**654**	2,510
Deferred tax liabilities	28	**6,839,168**	7,421,180	**-**	-
Hire purchase payables	29	**512,899**	1,126,067	**-**	-
Bank borrowings	30	**17,621,296**	21,155,683	**14,985,596**	17,359,062
Defined benefit obligations	31	**197,346**	131,355	**-**	-
		25,171,363	29,836,795	**14,986,250**	17,361,572
Current liabilities					
Trade and other payables	32	**91,527,559**	91,500,806	**189,391**	254,775
Provision for liabilities	33	**447,788**	-	**-**	-
Amounts due to customers on contracts	19	**3,706,107**	11,561,575	**-**	-
Amounts due to subsidiaries	22	**-**	-	**3,645,225**	3,048,560
Hire purchase payables	29	**731,464**	1,100,384	**-**	-
Bank borrowings	30	**24,624,955**	23,051,564	**3,723,883**	4,802,729
ICULS	27	**1,227**	1,235	**1,227**	1,235
Provision for taxation		**3,875,745**	4,636,494	**-**	-
		124,914,845	131,852,058	**7,559,726**	8,107,299
Total liabilities		**150,086,208**	161,688,853	**22,545,976**	25,468,871
TOTAL EQUITY AND LIABILITIES		**314,373,382**	302,837,259	**167,687,261**	161,033,323

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2007

	← Attributable to equity holders of the Company →								
			← Non-Distributable →						
					Foreign	Distributable			
	Share		Capital	Share	Exchange	Retained		Minority	Total
	Capital	ICULS	Reserve	Premium	Reserve	Profits	Total	Interests	Equity
	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 June 2005	96,414,037	63,014	1,346,681	9,135,121	-	12,545,741	119,504,594	337,579	119,842,173
Acquisition of subsidiaries	-	-	-	-	-	-	-	187,619	187,619
Issuance pursuant to:									
- private placement	9,600,000	-	-	-	-	-	9,600,000	-	9,600,000
Net expense recognised directly in equity:									
- Foreign exchange differences	-	-	-	-	(193,804)	-	(193,804)	(10,502)	(204,306)
- Share issue expenses	-	-	-	(140,212)	-	-	(140,212)	-	(140,212)
	-	-	-	(140,212)	(193,804)	-	(334,016)	(10,502)	(344,518)
Profit for the year	-	-	-	-	-	11,916,393	11,916,393	(53,502)	11,862,891
Total recognised income and expense for the year	-	-	-	(140,212)	(193,804)	11,916,393	11,582,377	(64,004)	11,518,373
Equity component of ICULS	-	241	-	-	-	-	241	-	241
At 31 May 2006	106,014,037	63,255	1,346,681	8,994,909	(193,804)	24,462,134	140,687,212	461,194	141,148,406
At 1 June 2006	106,014,037	63,255	1,346,681	8,994,909	(193,804)	24,462,134	140,687,212	461,194	141,148,406
Acquisition of subsidiary	-	-	-	-	-	-	-	5,063	5,063
Issue of shares in subsidiary	-	-	-	-	-	-	-	181,423	181,423
Dividend paid (Note 34)	-	-	-	-	-	(1,526,602)	(1,526,602)	-	(1,526,602)
Issuance pursuant to:									
- private placement	10,600,000	-	-	-	-	-	10,600,000	-	10,600,000
- ESOS	45,000	-	-	-	-	-	45,000	-	45,000
Net expense recognised directly in equity:									
- Foreign exchange differences	-	-	-	-	(23,558)	-	(23,558)	(7,748)	(31,306)
- Share issue expenses	-	-	-	(174,230)	-	-	(174,230)	-	(174,230)
	-	-	-	(174,230)	(23,558)	-	(197,788)	(7,748)	(205,536)
Profit for the year	-	-	-	-	-	13,799,004	13,799,004	238,552	14,037,556
Total recognised income and expense for the year	-	-	-	(174,230)	(23,558)	13,799,004	13,601,216	230,804	13,832,020
Equity component of ICULS	-	1,864	-	-	-	-	1,864	-	1,864
At 31 May 2007	**116,659,037**	**65,119**	**1,346,681**	**8,820,679**	**(217,362)**	**36,734,536**	**163,408,690**	**878,484**	**164,287,174**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2007

			Non-Distributable	Distributable	
	Share Capital RM	ICULS RM	Share Premium RM	Retained Profits RM	Total RM
At 1 June 2005	96,414,037	63,014	9,135,121	12,287,945	117,900,117
Issuance pursuant to:					
- private placement	9,600,000	-	-	-	9,600,000
Net expense recognised directly in equity:					
- share issue expenses	-	-	(140,212)	-	(140,212)
Profit for the year	-	-	-	8,204,306	8,204,306
Total recognised income and expense for the year	-	-	(140,212)	8,204,306	8,064,094
Equity component of ICULS	-	241	-	-	241
At 31 May 2006	106,014,037	63,255	8,994,909	20,492,251	135,564,452
At 1 June 2006	106,014,037	63,255	8,994,909	20,492,251	135,564,452
Issuance pursuant to:					
- private placement	10,600,000	-	-	-	10,600,000
- ESOS	45,000	-	-	-	45,000
Net expense recognised directly in equity:					
- share issue expenses	-	-	(174,230)	-	(174,230)
Profit for the year	-	-	-	630,801	630,801
Total recognised income and expense for the year	-	-	(174,230)	630,801	456,571
Equity component of ICULS	-	1,864	-	-	1,864
Dividend paid (Note 34)	-	-	-	(1,526,602)	(1,526,602)
At 31 May 2007	**116,659,037**	**65,119**	**8,820,679**	**19,596,450**	**145,141,285**

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

CASH FLOWS STATEMENTS

FOR THE YEAR ENDED 31 MAY 2007

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	**21,578,085**	17,339,365	**1,153,068**	6,836,302
Adjustments for:				
Depreciation of property, plant and equipment	**2,584,108**	3,059,060	**7,633**	17,455
Depreciation of investment properties	**4,929**	-	**-**	-
Amortisation of goodwill	**-**	2,812,696	**-**	-
Impairment losses on goodwill	**-**	5,800,000	**-**	-
Share of results of associate	**25**	-	**-**	-
Gain on disposal of property, plant and equipment	**(1,009,624)**	(216,370)	**-**	(3,424)
Write off of property, plant and equipment	**190**	630	**-**	-
Gain on disposal of assets held for sale	**-**	(376,062)	**-**	-
Rebate on early redemption of RSLS 2003/2008	**-**	(7,131,000)	**-**	(7,131,000)
Unrealised foreign exchange losses	**320,619**	136,283	**-**	-
Increase in liability for defined benefit plan	**65,991**	-	**-**	-
Provision for doubtful debts	**2,100,000**	-	**-**	-
Provision for liquidated damages	**635,822**	-	**-**	-
Bad debts written off	**-**	2,401,596	**-**	-
Reversal of impairment losses on other investments	**(67,752)**	-	**-**	-
Interest expense	**4,161,994**	3,685,640	**1,765,873**	1,614,598
Interest income	**(499,879)**	(687,680)	**(425,489)**	(201,333)
Waiver of interest expense on RSLS 2003/2008	**-**	(1,729,997)	**-**	(1,729,997)
Dividend income	**-**	-	**(1,850,000)**	-
Operating profit/(loss) before working capital changes	**29,874,508**	25,094,161	**651,085**	(597,399)
Changes in working capital:				
Property development costs	**19,793,843**	(21,618,415)	**-**	-
Amounts due (to)/from customers on contracts	**3,371,390**	(9,216,272)	**-**	-
Inventories	**(13,194,670)**	(1,681,850)	**-**	-
Receivables	**(37,708,780)**	(11,886,417)	**96,150**	(203,866)
Payables	**(525,673)**	27,129,567	**(65,384)**	174,653
Provisions	**(188,034)**	-	**-**	-
Intercompany balances	**-**	-	**(4,957,892)**	(13,946,663)
Cash generated from/(used in) operating activities	**1,422,584**	7,820,774	**(4,276,041)**	(14,573,275)
Tax (paid)/refunded	**(9,123,888)**	(5,978,853)	**369,120**	1,380,278
Net cash (used in)/generated from operating activities	**(7,701,304)**	1,841,921	**(3,906,921)**	(13,192,997)

CASH FLOWS STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MAY 2007

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash flow on acquisition of subsidiary [Note 14(a)]	**(3,841,174)**	(3,943,978)	**-**	-
Acquisition of an associate	**(25)**	-	**-**	-
Acquisition of shares in subsidiary by minority shareholders	**181,423**	-	**-**	-
Purchase of property, plant and equipment	**(816,159)**	(1,945,505)	**(395)**	(9,811)
Proceeds from disposal of property, plant and equipment	**1,545,020**	467,042	**-**	37,201
Proceeds from disposal of assets held for sales	**1,367,600**	890,103	**-**	-
Interest received	**499,879**	687,680	**425,489**	201,333
Dividends received	**-**	-	**1,350,500**	-
Net cash (used in)/generate from investing activities	**(1,063,436)**	(3,844,658)	**1,775,594**	228,723
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments to hire purchase payables	**(1,204,488)**	(1,555,516)	**-**	(39,452)
Interest paid	**(4,166,148)**	(3,701,576)	**(1,765,873)**	(1,887,140)
Proceeds from exercise of ESOS	**45,000**	-	**45,000**	-
Proceeds from issuance of shares through private placement	**10,600,000**	9,600,000	**10,600,000**	9,600,000
Share issue expenses	**(174,230)**	(140,212)	**(174,230)**	(140,212)
Redemption of RSLS 2003/2008	**-**	(16,639,000)	**-**	(16,639,000)
Drawdown of bank borrowings	**971,080**	26,539,307	**818,080**	22,609,301
Repayment of bank borrowings	**(5,574,791)**	(5,274,572)	**(4,270,392)**	(447,510)
Dividends paid	**(1,526,602)**	-	**(1,526,602)**	-
Net cash (used in)/generated from financing activities	**(1,030,179)**	8,828,431	**3,725,983**	13,055,987
Translation differences	**443,605**	181,751	**-**	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(9,351,314)**	7,007,445	**1,594,656**	91,713
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**8,783,009**	1,775,564	**142,893**	51,180
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 23)	**(568,305)**	8,783,009	**1,737,549**	142,893

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

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2007

1. CORPORATE INFORMATION

The principal activities of the Company are the provision of management services and investment holding. The principal activities of its subsidiaries are described in Note 14.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 August 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

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

(b) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Subsidiaries and Basis of Consolidation (Cont'd)

(ii) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries as at the balance sheet date.

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

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

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

(c) Associates

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Goodwill

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

(e) Property, Plant and Equipment, and Depreciation

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Investment Properties

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

Investment properties are stated at cost less accumulated depreciation and impairment losses. Investment properties other than freehold land are depreciated on a straight line basis to write off the cost of the assets to their residual values over the estimated useful life, at annual rates of 1% to 2%.

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

(g) Property Development Costs

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Construction Contracts

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

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

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

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

(i) Inventories

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

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

(j) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Leases

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

(i) Finance leases

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

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

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

(ii) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

(l) Non-Current Assets Held for Sale

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of Non-Financial Assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Income Tax

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

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

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

(o) Employee Benefits

(i) Short term benefits

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

(ii) Defined contribution plan

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Employee Benefits (cont'd)

(iii) Unfunded defined benefit plan

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

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

(iv) Equity compensation benefits

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

(p) Revenue Recognition

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

(i) Development properties

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

(ii) Construction contracts

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

(iii) Rental and interest income

Rental and interest income are recognised on an accrual basis.

(iv) Sale of goods

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

(v) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Revenue Recognition (cont'd)

(vi) Management fee income

Management fee income is recognised on an accrual basis

(vii) Water concession

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

(q) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign currency transactions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(q) Foreign Currencies (cont'd)

(iii) Foreign operations

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

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

(r) Financial Instruments

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

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

(i) Other non-current investments

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

(ii) Marketable securities

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Financial Instruments (cont'd.)

(iii) Receivables

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

(iv) Payables

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

(v) Cash and Cash Equivalents

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

(vi) Interest-bearing borrowings

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

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

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

(vii) Equity instruments

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Significant Accounting Estimates and Judgements

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

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

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 May 2007 was RM16,972,393 (2006: RM15,757,533). Further details are disclosed in Note 17.

(ii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are disclosed in Note 28

(iii) Property development

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

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. Details of property development costs are disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

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

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

(a) FRS 2: Share-based Payment

The Company operates an equity-settled, share-based compensation plan for the eligible employees of the Group, namely the Gadang Holdings Berhad Employee Share Options Scheme ("ESOS"). In prior years, no compensation expense was recognised in profit or loss for share options granted. The Group and the Company recognised an increase in share capital and share premium when the options were exercised. Upon the adoption of FRS 2, the total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period.

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not yet vested on 1 January 2006. Share options granted under the ESOS have been fully vested prior to 1 January 2006 and there is no new ESOS granted in the current financial year and accordingly, the adoption of FRS 2 has no impact to the financial statements of the Group and of the Company.

(b) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

Goodwill

In prior years, goodwill was amortised on a straight-line basis over a period of time not exceeding 20 years during which the benefits are expected to arise and at each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit in which the goodwill is attached to. The adoption of FRS 3 and the revised FRS136 has resulted in the Group ceasing annual goodwill amortisation. Goodwill is now carried at cost less accumulated impairment losses and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

In accordance with the transitional provisions of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 June 2006. The transitional provisions of FRS 3 also required the Group to eliminate the carrying amount of the accumulated amortisation and impairment losses at 1 June 2006 amounting to RM10,530,322 against the carrying amount of goodwill. The net carrying amount of goodwill as at 1 June 2006 of RM15,757,533 ceased to be amortised thereafter.

The change in accounting policy has been applied prospectively and as such there is no restatement of comparative amounts whilst the Group's profit for the year was increased by RM2,395,356 resulting from cessation of annual amortisation of goodwill. This change has no impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

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

(c) FRS 5: Non-current Assets Held for Sale and Discontinued Operations

In prior years, non-current assets held for sale were neither classified nor presented as current assets or liabilities. There were no differences in the measurement of non-current assets held for sale and those for continuing use. Upon the adoption of FRS 5, non-current assets held for sale are classified as current assets and are stated at the lower of carrying amount and fair value less costs to sell.

In accordance with FRS 5, freehold land acquired by way of a settlement with a trade debtor of a subsidiary previously classified as other assets have been reclassified as assets held for sale in the consolidated balance sheet as at 31 May 2007. Comparatives were restated to conform with the current year's presentation as disclosed in Note 42. This change has no impact on the Company's financial statements.

(d) FRS 101: Presentation of Financial Statements

Finance costs

In prior years, finance costs were presented net of interest income in the income statements. Upon the adoption of the revised FRS 101, finance costs are now presented gross of interest income and interest income is included in other income in the income statements.

Minority interests

The adoption of the revised FRS 101 has affected the presentation of minority interests. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit and loss for the period between the minority interests and the equity holders of the Company. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the Company and to minority interest.

The changes in presentation of finance costs and minority interests have been applied retrospectively and as disclosed in Note 42, certain comparatives have been restated. These changes in presentation have no impact on the financial statements of the Group and of the Company.

(e) FRS 140: Investment Property

The adoption of FRS 140 has resulted in certain properties of the Group which are held for rental to external parties or for capital appreciation previously recognised as property, plant and equipment and other assets being reclassified to investment properties. The Group has applied the cost method to account for its investment properties.

In accordance FRS 140, this change in accounting policy is applied retrospectively and as disclosed in Note 42, the comparative figures have been reclassified to conform with the current financial year's presentation.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

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

(f) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 May 2007 is higher or lower than it would have been had the previous policies been applied in the current year.

	Increase/(Decrease)			
	FRS 3	FRS 5	FRS 140	
	Note 3(b)	Note 3(c)	Note 3(e)	Total
Group	**RM**	**RM**	**RM**	**RM**
At 31 May 2007				
Balance sheet				
Property, plant and equipment	-	-	(400,831)	(400,831)
Investment properties	-	-	623,631	623,631
Other assets	-	(6,788,500)	(222,800)	(7,011,300)
Assets held for sale	-	6,788,500	-	6,788,500
Income statement				
Operating profit	2,395,356	-	-	2,395,356

(g) Standards and Interpretations issued but not effective

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

<u>Effective for financial periods beginning on or after 1 October 2006</u>

FRS 117 : Leases
FRS 124 : Related Party Disclosures

<u>Effective for financial periods beginning on or after 1 January 2007</u>

FRS 6 : Exploration for and Evaluation of Mineral Resources
Amendment to FRS 119 : Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

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

(g) Standards and Interpretations issued but not effective (cont'd)

Effective for financial periods beginning on or after 1 July 2007

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

Deferred

FRS 139	:	Financial Instruments: Recognition and Measurement

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

FRS 124 has expanded the definition of related parties and will affect the related party disclosures of the Group and of the Company.

Upon the adoption of FRS 117, the Group's leasehold land will be classified from property, plant and equipment and investment properties to prepaid lease payments. Prepaid lease payments will be initially stated at cost and subsequently amortised on the straight-line basis over the lease terms.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

4. REVENUE

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Gross dividend from a subsidiary	**-**	-	**1,850,000**	-
Revenue from construction contracts	**157,859,667**	121,349,596	**-**	-
Rental income	**273,465**	443,882	**-**	-
Sale of development properties	**60,342,739**	56,912,877	**-**	-
Trading in protective and decorative coatings	**3,669,416**	4,282,174	**-**	-
Water concession	**3,809,813**	2,640,518	**-**	-
Management fees from subsidiaries	**-**	-	**3,646,000**	2,600,000
	225,955,100	185,629,047	**5,496,000**	2,600,000

5. COST OF SALES

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

6. FINANCE COSTS

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Interest expense on:				
- bank borrowings	**3,623,508**	2,829,947	**1,764,529**	1,128,650
- hire purchase contracts	**192,746**	296,241	**-**	5,297
- ICULS 2003/2008	**1,344**	1,343	**1,344**	1,343
- RSLS 2003/2008	**-**	479,308	**-**	479,308
- others	**348,550**	94,737	**-**	-
	4,166,148	3,701,576	**1,765,873**	1,614,598
Less: Interest expenses capitalised in qualifying/assets:				
Property development costs (Note 18)	**-**	(199)	**-**	-
Costs of construction contracts (Note 19)	**(4,154)**	(15,737)	**-**	-
	4,161,994	3,685,640	**1,765,873**	1,614,598

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

7. PROFIT BEFORE TAX

	Group		Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Profit before tax is stated after charging/(crediting):				
Auditors' remuneration:				
Auditors of the Company	**100,100**	97,300	**20,000**	20,000
Other auditors	**35,370**	19,723	**-**	-
Depreciation of property, plant and equipment	**2,584,108**	3,059,060	**7,633**	17,455
Depreciation of investment properties	**4,929**	-	**-**	-
Non-executive directors' remuneration (Note 9)	**73,000**	73,000	**73,000**	73,000
Gain on disposal of property, plant and equipment	**(1,009,624)**	(216,370)	**-**	(3,424)
Write off of property, plant and equipment	**190**	630	**-**	-
Unrealised foreign exchange losses	**320,619**	136,283	**-**	-
Provision for doubtful debts	**2,100,000**	-	**-**	-
Provision for liquidated damages	**635,822**	-	**-**	-
Rental expenses				
- motor vehicle	**27,336**	28,449	**-**	-
- land and building	**102,418**	-	**134,676**	134,676
Bad debts written off	**-**	2,401,596	**-**	-
Amortisation of goodwill	**-**	2,812,696	**-**	-
Employee benefits expense (Note 8)	**15,893,947**	16,063,664	**2,051,042**	1,971,382
Impairment losses on goodwill on consolidation	**-**	5,800,000	**-**	-
Reversal of impairment losses on other investments	**(67,752)**	-	**-**	-
Gain on disposal of assets held for sale	**-**	(376,062)	**-**	-
Rebate on early redemption of RSLS 2003/2008	**-**	(7,131,000)	**-**	(7,131,000)
Waiver of interest expense on RSLS 2003/2008	**-**	(1,729,997)	**-**	(1,729,997)
Rental income				
- land and building	**(68,500)**	(16,000)	**-**	-
- plant and machinery	**(9,000)**	(2,310)	**-**	-
Interest income				
- subsidiaries	**-**	-	**(425,489)**	(201,333)
- fixed deposits	**(499,879)**	(687,680)	**-**	-

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Salaries and other benefits	**14,410,387**	14,723,725	**1,876,376**	1,773,769
Contributions to:				
- defined contribution plan	**1,417,569**	1,339,939	**174,666**	197,613
- defined benefit plan	**65,991**	-	**-**	-
	15,893,947	16,063,664	**2,051,042**	1,971,382

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,162,321 (2006: RM2,062,301) and RM689,946 (2006: 674,987) respectively as further disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

9. DIRECTORS' REMUNERATION

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Directors of the Company:				
Executive:				
Salaries and other emoluments	**1,468,541**	1,363,000	**634,666**	602,667
Defined contribution plan	**112,020**	163,560	**55,280**	72,320
Non-Executive:				
Fees	**73,000**	73,000	**73,000**	73,000
	1,653,561	1,599,560	**762,946**	747,987
Directors of Subsidiaries:				
Executive:				
Salaries and other emoluments	**520,500**	478,333	**-**	-
Defined contribution plan	**61,260**	57,408	**-**	-
	581,760	535,741	**-**	-
Total directors' remuneration	**2,235,321**	2,135,301	**762,946**	747,987
Estimated money value of benefits-in-kind	**39,700**	-	**-**	-
Total directors' remuneration including benefits-in-kind	**2,275,021**	2,135,301	**762,946**	747,987

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

	Number of Directors 2007	Number of Directors 2006
Executive directors:		
RM300,001 - RM350,000	**2**	2
RM350,001 - RM400,000	**-**	1
RM400,001 - RM450,000	**1**	-
RM450,001 - RM500,000	**-**	-
RM500,001 - RM550,000	**1**	1
Non-executive directors:		
RM50,000 and below	**3**	3

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

10. INCOME TAX EXPENSE/(CREDIT)

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Malaysian income tax:				
Current tax	**7,242,759**	6,020,900	**522,267**	-
Under/(Over)provision in prior years	**534,166**	(9,967)	**-**	(1,368,004)
	7,776,925	6,010,933	**522,267**	(1,368,004)
Foreign income tax:				
Current tax	**429,033**	41,459	**-**	-
Deferred tax (Note 28):				
Relating to origination and reversal of temporary differences	**(592,591)**	(587,067)	**-**	-
Relating to change in Malaysian tax rate	**(21,476)**	-	**-**	-
(Over)/Underprovision in prior years	**(51,362)**	11,149	**-**	-
	(665,429)	(575,918)	**-**	-
	7,540,529	5,476,474	**522,267**	(1,368,004)

Income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year except for certain subsidiaries falling under the category of Small Medium Enterprise ("SME") in Malaysia, in which case income tax is calculated at the statutory tax rate of 20% (2006: 20%) for the first RM500,000 (2006: RM500,000) of chargeable income and 27% (2006: 28%) for the balance of estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Profit before tax	**21,578,085**	17,339,365	**1,153,068**	6,836,302
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	**5,826,083**	4,855,022	**311,328**	1,914,165
Effect of income subject to tax rate of 20% (2006: 20%)	**(221,936)**	(222,994)	**-**	-
Effect of different tax rates in other countries	**72,580**	4,089	**-**	-
Effect of reduction in tax rate in opening deferred tax	**(21,476)**	-	**-**	-
Income not subject to tax	**(335,199)**	(2,556,832)	**(199,972)**	(2,485,132)
Expenses not deductible for tax purposes	**1,688,536**	2,816,452	**418,984**	312,574
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**(144,331)**	(24,693)	**(8,073)**	-
Deferred tax assets not recognised	**193,468**	604,248	**-**	258,393
Under/(Over)provision of income tax in prior years	**534,166**	(9,967)	**-**	(1,368,004)
(Over)/Underprovision of deferred tax in prior years	**(51,362)**	11,149	**-**	-
Tax expense/(credit) for the year	**7,540,529**	5,476,474	**522,267**	(1,368,004)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

11. EARNINGS PER SHARE

(a) Basic

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

	Group	
	2007	**2006**
	RM	**RM**
Profit for the year attributable to ordinary equity holders of the Company	**13,799,004**	11,916,393
Weighted average number of ordinary shares in issue	**109,334,421**	104,167,883
Basic earnings per share (sen)	**12.62**	11.44

(b) Diluted

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

	Group	
	2007	**2006**
	RM	**RM**
Profit for the year attributable to ordinary equity holders of the Company	**13,799,004**	11,916,393
After-tax effects of interest on ICULS 2003/2008	**978**	965
Adjusted profit for the year	**13,799,982**	11,917,358
Weighted average number of ordinary shares in issue	**109,334,421**	104,167,883
Adjustment for assumed conversion of ICULS 2003/2008	**52,756**	52,756
Adjustment for assumed conversion of ESOS	**-**	-
Adjusted weighted average number of ordinary shares in issue and issuable	**109,387,177**	104,220,639
Diluted earnings per share (sen)	**12.62**	11.43

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Buildings RM	Leasehold land and buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovations RM	Total RM
31 May 2007										
Cost/Valuation										
At 1 June 2006	2,860,000	6,569,957	2,336,403	54,979,100	5,937,194	3,049,958	1,407,792	8,459,515	1,092,198	86,692,117
Acquisition of subsidiary	408,904	1,577,463	-	1,649,217	-	56,214	94,723	50,375	-	3,836,896
Additions	-	-	-	175,107	459,633	160,559	12,735	228,190	2,335	1,038,559
Disposals/Write-offs	-	-	-	(656,243)	(2,213,419)	(1,239)	(188)	(2,774,065)	-	(5,645,154)
Exchange difference	(27,396)	(105,686)	-	(523,120)	-	(11,201)	(6,346)	(3,375)	-	(677,124)
At 31 May 2007	**3,241,508**	**8,041,734**	**2,336,403**	**55,624,061**	**4,183,408**	**3,254,291**	**1,508,716**	**5,960,640**	**1,094,533**	**85,245,294**
Representing:										
At cost	381,508	1,471,777	2,336,403	55,624,061	4,183,408	3,254,291	1,508,716	5,960,640	1,094,533	75,815,337
At valuation	2,860,000	6,569,957	-	-	-	-	-	-	-	9,429,957
	3,241,508	8,041,734	2,336,403	55,624,061	4,183,408	3,254,291	1,508,716	5,960,640	1,094,533	85,245,294
Accumulated Depreciation										
At 1 June 2006	-	1,252,548	85,103	42,948,285	4,657,171	2,237,088	1,244,896	7,190,425	792,491	60,408,007
Acquisition of subsidiary	-	269,714	-	447,223	-	15,927	13,223	14,273	-	760,360
Depreciation charge for the year:										
Recognised in income statement (Note 7)	-	220,230	46,728	1,257,353	201,655	230,574	57,700	496,939	72,929	2,584,108
Capitalised in construction costs (Note 19)	-	-	-	29,699	517,473	-	-	19,104	-	566,276
	-	220,230	46,728	1,287,052	719,128	230,574	57,700	516,043	72,929	3,150,384
Exchange difference	-	(18,070)	-	(176,406)	-	(5,895)	(886)	(956)	-	(202,213)
Disposals/Write-offs	-	-	-	(520,533)	(1,921,673)	(303)	(51)	(2,667,008)	-	(5,109,568)
At 31 May 2007	**-**	**1,724,422**	**131,831**	**43,985,621**	**3,454,626**	**2,477,391**	**1,314,882**	**5,052,777**	**865,420**	**59,006,970**
Net Carrying Amount										
At 31 May 2007:										
At cost	**381,508**	**-**	**2,204,572**	**11,638,440**	**728,782**	**776,900**	**193,834**	**907,863**	**229,113**	**17,061,012**
At valuation	**2,860,000**	**6,317,312**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,177,312**
	3,241,508	**6,317,312**	**2,204,572**	**11,638,440**	**728,782**	**776,900**	**193,834**	**907,863**	**229,113**	**26,238,324**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

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

Group (cont'd)	Freehold land RM	Buildings RM	Leasehold land and buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovations RM	Total RM
31 May 2006										
Cost/Valuation										
At 1 June 2005	2,860,000	6,569,957	2,336,403	43,770,953	5,800,598	2,729,210	1,424,140	9,022,815	940,542	75,454,618
Acquisition of subsidiary	-	-	-	10,106,886	-	178,940	-	-	-	10,285,826
Additions	-	-	-	1,767,388	157,101	183,842	13,129	453,206	151,656	2,726,322
Disposals/Write-offs	-	-	-	(107,333)	(20,505)	(32,141)	(29,477)	(1,016,506)	-	(1,205,962)
Exchange difference	-	-	-	(558,794)	-	(9,893)	-	-	-	(568,687)
At 31 May 2006	2,860,000	6,569,957	2,336,403	54,979,100	5,937,194	3,049,958	1,407,792	8,459,515	1,092,198	86,692,117
Representing:										
At cost	-	-	2,336,403	54,979,100	5,937,194	3,049,958	1,407,792	8,459,515	1,092,198	77,262,160
At valuation	2,860,000	6,569,957	-	-	-	-	-	-	-	9,429,957
	2,860,000	6,569,957	2,336,403	54,979,100	5,937,194	3,049,958	1,407,792	8,459,515	1,092,198	86,692,117
Accumulated Depreciation										
At 1 June 2005	-	1,121,149	38,375	37,994,938	4,283,578	1,930,748	1,121,090	7,283,505	696,685	54,470,068
Acquisition of subsidiary	-	-	-	3,204,538	-	98,724	-	-	-	3,303,262
Depreciation charge for the year:										
Recognised in income statement (Note 7)	-	131,399	46,728	1,432,609	312,000	230,847	136,940	672,731	95,806	3,059,060
Capitalised in construction costs (Note 19)	-	-	-	594,709	64,156	-	-	54,044	-	712,909
	-	131,399	46,728	2,027,318	376,156	230,847	136,940	726,775	95,806	3,771,969
Exchange difference	-	-	-	(177,174)	-	(5,458)	-	-	-	(182,632)
Disposals/Write-offs	-	-	-	(101,335)	(2,563)	(17,773)	(13,134)	(819,855)	-	(954,660)
At 31 May 2006	-	1,252,548	85,103	42,948,285	4,657,171	2,237,088	1,244,896	7,190,425	792,491	60,408,007
Net Carrying Amount										
At 31 May 2006:										
At cost	-	-	2,251,300	12,030,815	1,280,023	812,870	162,896	1,269,090	299,707	18,106,701
At valuation	2,860,000	5,317,409	-	-	-	-	-	-	-	8,177,409
	2,860,000	5,317,409	2,251,300	12,030,815	1,280,023	812,870	162,896	1,269,090	299,707	26,284,110

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

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

Company	Motor vehicles RM	Furniture and fittings RM	Office equipment RM	Total RM
31 May 2007				
Cost				
At 1 June 2006	-	4,813	71,255	76,068
Additions	-	-	395	395
At 31 May 2007	**-**	**4,813**	**71,650**	**76,463**
Accumulated Depreciation				
At 1 June 2006	-	872	18,777	19,649
Depreciation charge for the year	-	481	7,152	7,633
At 31 May 2007	**-**	**1,353**	**25,929**	**27,282**
Net Carrying Amount				
At 31 May 2007	**-**	**3,460**	**45,721**	**49,181**
31 May 2006				
Cost				
At 1 June 2005	89,271	2,541	63,716	155,528
Additions	-	2,272	7,539	9,811
Disposals	(89,271)	-	-	(89,271)
At 31 May 2006	-	4,813	71,255	76,068
Accumulated Depreciation				
At 1 June 2005	45,081	508	12,099	57,688
Depreciation charge for the year	10,413	364	6,678	17,455
Disposals	(55,494)	-	-	(55,494)
At 31 May 2006	-	872	18,777	19,649
Net Carrying Amount				
At 31 May 2006	-	3,941	52,478	56,419

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

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

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

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

	Group 2007 RM	Group 2006 RM
Freehold land	**986,686**	1,107,586
Buildings	**3,295,028**	3,378,978

(b) Freehold land and buildings with an aggregate net book value of RM8,044,913 (2006: RM8,176,312) are pledged to a licensed bank as security for credit facilities granted to a subsidiary as referred to in Note 30.

(c) Leasehold land and buildings with a net book value of RM2,204,572 (2006: RM2,251,300) are pledged to a licensed bank as security for term loans and credit facilities granted to a subsidiary as referred to in Note 30.

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

	Group 2007 RM	Group 2006 RM
Plant and machinery	**1,394,696**	1,846,549
Motor vehicles	**407,972**	1,109,300
Tools and equipment	**-**	176,574
	1,802,668	3,132,423

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

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Cash payments	**816,159**	1,945,505	**395**	9,811
Hire purchase contracts	**222,400**	780,817	**-**	-
	1,038,559	2,726,322	**395**	9,811

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

13. INVESTMENT PROPERTIES

	Group	
	2007 RM	2006 RM
Net carrying amount		
At 1 June 2006/2005	**628,560**	628,560
Depreciation charge for the year	**(4,929)**	-
At 31 May	**623,631**	628,560
At 31 May:		
Cost	**628,560**	628,560
Accumulated depreciation	**(4,929)**	-
Net carrying amount	**623,631**	628,560
Represented by:		
Freehold land	**222,800**	222,800
Leasehold land	**400,831**	405,760
	623,631	628,560

The fair values of the investment properties as at 31 May 2007 of the Group are estimated at RM500,000 based on directors' assessment of the current prices in an active market for the respective properties within each vicinity.

The title deed of leasehold land with net carrying amount of RM142,080 (2006: RM144,000) is in the process of being registered in the name of a subsidiary.

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007 RM	2006 RM
Unquoted shares at cost	**85,157,847**	85,157,847

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

14. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Equity interest held 2007	Equity interest held 2006	Principal activities
Gadang Engineering (M) Sdn Bhd and its subsidiaries	Malaysia	**100%**	100%	Earthwork, building and civil engineering and construction work contractors and investment holding
Bincon Sdn Bhd	Malaysia	**100%**	100%	Hire of plant and machinery
Era Berkat Sdn Bhd	Malaysia	**51%**	51%	Earthwork contractor
Katah Realty Sdn Bhd	Malaysia	**100%**	100%	Building and civil engineering construction works
Kartamo Corporation Sdn Bhd	Malaysia	**100%**	100%	Building and civil engineering construction works
Gadang Construction Sdn Bhd and its subsidiary	Malaysia	**100%**	100%	Processing and supply of rock products and the manufacture of readymixed concrete
New-Mix Concrete Industries Sdn Bhd	Malaysia	**100%**	100%	Trading in readymixed concrete
Gadang Engineering and Construction (India) Private Limited *	India	**95%**	95%	Dormant
Datapuri Sdn Bhd *	Malaysia	**51%**	51%	Provision of mechanical and electrical engineering services
Regional Utilities Sdn Bhd and its subsidiaries	Malaysia	**100%**	100%	Investment holding
Asian Utilities Pte. Ltd.* and its subsidiaries	Singapore	**100%**	100%	Investment holding
PT Taman Tirta Sidoarjo *	Indonesia	**95%**	95%	Water concession
Green Water Investment Pte. Ltd.*	Singapore	**100%**	100%	Dormant
PT Bintang Hytien Jaya*	Indonesia	**95%**	-	Water concession

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

14. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name of subsidiaries	Country of incorporation	Equity interest held 2007	Equity interest held 2006	Principal activities
Mandy Corporation Sdn Bhd	Malaysia	**100%**	100%	Property development
Achwell Property Sdn Bhd	Malaysia	**100%**	100%	Property development
Gadang Land Sdn Bhd and its subsidiaries	Malaysia	**100%**	100%	Provision of project management services and investment holding
Magnaway Sdn Bhd	Malaysia	**100%**	100%	Property management and maintenance
Noble Paradise Sdn Bhd	Malaysia	**100%**	100%	Property development
Sama Pesona Sdn Bhd	Malaysia	**100%**	100%	Property development
Damai Klasik Sdn Bhd	Malaysia	**100%**	100%	Property development
City Version Sdn Bhd	Malaysia	**100%**	100%	Property development
Gadang Properties Sdn Bhd and its subsidiary	Malaysia	**100%**	100%	Property investment and development
Buildmark Sdn Bhd	Malaysia	**100%**	100%	Property development and investment
Flora Masyhur Sdn Bhd *	Malaysia	**100%**	100%	Dormant
Splendid Pavilion Sdn Bhd	Malaysia	**100%**	100%	Property development
Natural Domain Sdn Bhd	Malaysia	**100%**	100%	Property development
Crimson Villa Sdn Bhd *	Malaysia	**100%**	-	Dormant
Gadang International (HK) Limited * and its subsidiary	Hong Kong	**100%**	100%	Dormant
Jiawei Environment International Investment (HK) Limited *	Hong Kong	**100%**	100%	Dormant

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

14. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name of subsidiaries	Country of incorporation	Equity interest held 2007	2006	Principal activities
GLP Resources (M) Sdn Bhd * and its subsidiaries	Malaysia	**70%**	70%	Trading in protective and decorative coatings
GLP Manufacturing (M) Sdn Bhd *	Malaysia	**100%**	100%	Manufacturing of protective and decorative coatings
GLP Paints (M) Sdn Bhd *	Malaysia	**100%**	100%	Trading in protective and decorative coatings

* Not audited by Ernst & Young

(a) Acquisition of Subsidiaries

During the financial year, the Group acquired 95% equity interest in PT Bintang Hytien Jaya, a company incorporated in Indonesia and engaging in water concession in Indonesia, for a cash consideration of RM3,851,550 as disclosed in Note 39(b).

In the previous financial year, the Group acquired 100% equity interest in Asian Utilities Pte Ltd, a company incorporated in Singapore and GLP Paints (M) Sdn Bhd, a company incorporated in Malaysia for a total cash consideration of RM5,707,000.

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

	2007 RM	2006 RM
Revenue	**117,364**	3,769,372
(Loss)/profit from operations	**(414,495)**	564,066
(Loss)/profit for the year	**(552,864)**	367,251

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

14. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(a) Acquisition of Subsidiaries (cont'd)

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

	2007 RM	2006 RM
Property, plant and equipment	**2,706,660**	6,222,931
Inventories	**6,994**	12,634
Trade and other receivables	**86,619**	2,479,410
Cash and bank balances	**3,563**	5,008,905
Trade and other payables	**(755,572)**	(3,440,970)
Taxation	**-**	(41,459)
Bank borrowings	**-**	(3,930,000)
Deferred tax liabilities	**(29,389)**	(58,183)
Defined benefit obligations	**-**	(131,355)
	2,018,875	6,121,913
Less: Minority interests	**(100,945)**	(202,915)
Group's share of net assets	**1,917,930**	5,918,998

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

	2007 RM	2006 RM
Property, plant and equipment	**3,076,536**	6,982,564
Deferred tax assets (Note 28)	**-**	97,173
Inventories	**6,828**	9,706
Trade and other receivables	**100,438**	323,561
Cash and bank balances	**10,376**	1,763,022
Trade and other payables	**(552,425)**	(452,204)
Amount due to ultimate holding company	**-**	(5,633,000)
Taxation	**-**	(2,279)
Defined benefit obligations (Note 31)	**-**	(131,355)
Fair value of total net assets	**2,641,753**	2,957,188
Less: Minority interests	**(5,063)**	(187,617)
Group's share of net assets	**2,636,690**	2,769,571
Goodwill on acquisition (Note 17)	**1,214,860**	2,937,429
Cost of acquisition	**3,851,550**	5,707,000

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

14. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(a) Acquisition of Subsidiaries (cont'd)

	2007 RM	2006 RM
Purchase consideration satisfied by cash	**3,851,550**	5,707,000
Net cash outflow arising on acquisitions:		
Cash consideration	**3,851,550**	5,707,000
Cash and cash equivalents of subsidiaries acquired	**(10,376)**	(1,763,022)
Net cash outflow to the Group	**3,841,174**	3,943,978

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

15. INVESTMENT IN ASSOCIATE

	Group	
	2007 RM	2006 RM
In Malaysia:		
Unquoted shares, at cost	**25**	-
Share of post-acquisition reserves	**(25)**	-
	-	-

Details of the associate are as follows:

Name of Associate	Equity Interest Held 2007	2006	Principal Activities
Maha Abadi Sdn Bhd (Incorporated in Malaysia)	**25%**	-	Dormant

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

16. OTHER INVESTMENTS

	Group 2007 RM	Group 2006 RM
In Malaysia:		
Quoted investments at cost		
- Shares	**7,200**	7,200
- Irredeemable Convertible Unsecured Loan Stocks	**169,000**	169,000
	176,200	176,200
Less: Accumulated impairment losses	**-**	(67,753)
	176,200	108,447
Unquoted shares at cost	**100,000**	100,000
Golf club membership	**126,000**	126,000
	402,200	334,447
Market value of quoted investments	**190,611**	99,198

17. GOODWILL ON CONSOLIDATION

	Group 2007 RM	Group 2006 RM
Cost		
At 1 June 2006/2005	**26,287,855**	23,350,426
Effects of adopting FRS 3	**(10,530,322)**	-
Acquisition of subsidiaries (Note 14(a))	**1,214,860**	2,937,429
At 31 May	**16,972,393**	26,287,855
Accumulated amortisation and impairment:		
At 1 June 2006/2005	**(10,530,322)**	(1,917,626)
Effects of adopting FRS 3	**10,530,322**	-
Amortisation for the year	**-**	(2,812,696)
Impairment losses	**-**	(5,800,000)
At 31 May	**-**	(10,530,322)
Net carrying amount	**16,972,393**	15,757,533

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

17. GOODWILL ON CONSOLIDATION (Cont'd)

Impairment tests for goodwill

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

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

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

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

18. PROPERTY DEVELOPMENT COSTS

	Group	
	2007 RM	2006 RM
Property development costs at 1 June 2006/2005:		
Freehold land	**48,896,113**	33,575,113
Leasehold land	**25,855,706**	25,855,706
Development costs	**182,692,889**	131,022,776
	257,444,708	190,453,595
Costs incurred during the year:		
Freehold land	**-**	15,321,000
Development costs	**36,051,698**	52,109,134
	36,051,698	67,430,134

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

18. PROPERTY DEVELOPMENT COSTS (Cont'd)

	Group	
	2007 RM	2006 RM
Costs recognised in income statement:		
At 1 June 2006/2005	**(152,169,365)**	(106,796,668)
Recognised during the year	**(43,260,970)**	(45,372,697)
At 31 May	**(195,430,335)**	(152,169,365)
Transfer to inventories	**(12,584,571)**	(439,021)
Property development costs at 31 May	**85,481,500**	105,275,343

(a) The freehold land under development of the Group with a carrying value of RM8,010,077 (2006: RM8,010,077) is pledged to a licensed bank as security for credit facilities granted to certain subsidiaries as referred to in Note 30.

(b) The freehold land under development of the Group with a carrying value of RM33,187,244 (2006: RM33,187,244) is charged as security for term loans and credit facilities granted to the Company as referred to in Note 30.

(c) The leasehold land under development of the Group with a carrying value of RM17,796,710 (2006: RM17,796,710) is pledged to licensed banks as security for term loans and credit facilities granted to certain subsidiaries as referred to in Note 30.

Included in property development costs incurred during the financial year are:

	Group	
	2007 RM	2006 RM
Interest expense (Note 6)	**-**	199
Bank guarantee charges	**130,288**	145,621

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

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

	Group 2007 RM	Group 2006 RM
Construction contract costs incurred to date	**725,826,057**	629,643,763
Attributable profits	**30,107,300**	51,776,187
	755,933,357	681,419,950
Less: Progress billings	**(737,475,990)**	(664,142,113)
Due from customers on contracts-in-progress	**18,457,367**	17,277,837
Due from customers on completed contracts for which final accounts have not been issued	**1,899,591**	5,880,081
	20,356,958	23,157,918
Due from customers on contracts	**24,063,065**	34,719,493
Due to customers on contracts	**(3,706,107)**	(11,561,575)
	20,356,958	23,157,918
Advances received on contracts, included within trade payables (Note 32)	**156,000**	1,611,789
Retention sums on contracts, included within trade receivables (Note 21)	**17,141,676**	11,664,198
Contract costs recognised as an expense	**119,069,328**	91,632,764

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

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

	Group 2007 RM	Group 2006 RM
Depreciation of property, plant and equipment (Note 12)	**566,276**	712,909
Interest expense (Note 6)	**4,154**	15,737
Hire of plant and machinery	**1,187,259**	299,999

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

20. INVENTORIES

	Group	
	2007 RM	2006 RM
At Cost:		
Construction materials on site	**102,021**	1,173,468
Raw materials	**567,129**	615,266
Packing materials	**66,874**	-
Finished goods	**521,118**	808,801
Properties held for sale	**14,980,912**	439,021
	16,238,054	3,036,556

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade receivables	**80,269,763**	54,175,753	**-**	-
Retention sums (Note 19)	**17,141,676**	11,664,198	**-**	-
Accrued billings in respect of property development costs	**10,187,282**	4,769,011	**-**	-
	107,598,721	70,608,962	**-**	-
Other receivables	**2,316,530**	5,082,724	**21,523**	17,673
Prepayments	**792,885**	989,038	**-**	-
Deposits	**8,081,275**	5,705,186	**101,000**	201,000
Advances to subcontractors	**4,038,494**	2,953,396	**-**	-
	15,229,184	14,730,344	**122,523**	218,673
Trade and other receivables	**122,827,905**	85,339,306	**122,523**	218,673
Less: Provision for doubtful debts	**(2,133,449)**	(33,449)	**-**	-
	120,694,456	85,305,857	**122,523**	218,673

Included in trade and other receivables of the Group are amounts which have been outstanding in excess of 12 months amounting to RM5,456,688 (2006: RM5,001,408) for which a provision of RM2,133,449 (2006: RM33,449) has been made. In assessing the extent of irrecoverable amounts, the directors have given due consideration to all pertinent information relating to the ability of the debtors to settle the amounts owing. Notwithstanding the overdue nature of these debts, the directors of the Company have assessed the amounts due from debtors less provision for irrecoverable amounts as stated in the financial statements, to be fully recoverable.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

21. TRADE AND OTHER RECEIVABLES (Cont'd)

Included in deposits is an amount of refundable deposit of RM1,000,000 (2006: Nil) paid by Splendid Pavilion Sdn Bhd, an indirect subsidiary of the Company pursuant to the Joint Venture Agreement entered into by both parties as disclosed in Note 39(d).

Included in deposits is an amount of deposit of RM756,000 (2006: Nil) paid by Asian Utilities Pte Ltd, an indirect subsidiary of the Company for the acquisition of shares in certain companies incorporated in Indonesia as disclosed in Note 39(c) and Note 40.

The Group's normal trade credit term ranges from 30 to 90 (2006: 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

22. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

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

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

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash on hand and at banks	**5,791,578**	6,740,480	**97,549**	142,893
Fixed deposits with licensed banks	**7,920,709**	13,680,406	**1,640,000**	-
	13,712,287	20,420,886	**1,737,549**	142,893
Less: Bank overdrafts (Note 30)	**(14,280,592)**	(11,637,877)	**-**	-
Cash and cash equivalents	**(568,305)**	8,783,009	**1,737,549**	142,893

Included in cash at banks of the Group is an amount of RM3,825,864 (2006: RM4,335,961) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and therefore restricted from use in other operations.

Fixed deposits of the Group amounting to RM4,771,312 (2006: RM9,021,850) are pledged to banks for credit facilities granted to a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

23. CASH AND CASH EQUIVALENTS (Cont'd)

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

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Fixed deposits with licensed banks	**3.13**	3.00	**3.40**	-

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

	Group		Company	
	2007 Days	2006 Days	2007 Days	2006 Days
Fixed deposits with licensed banks	**30**	30	**30**	-

24. ASSETS HELD FOR SALE

	Group	
	2007 RM	2006 RM
Net carrying amount upon classification as held for sale:		
Freehold land held for sale	**6,788,500**	8,156,100

Freehold land held for sale was acquired by way of a settlement agreement with a trade debtor of a subsidiary. The title deeds of the land are not registered in the name of the subsidiary and the land is charged to licensed banks as security for bank borrowings granted to the Company as referred to in Note 30. The Group has made a commitment to dispose of the land in the near future.

25. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2007	2006	2007 RM	2006 RM
Authorised:				
At 1 June 2006/2005 and 31 May	**200,000,000**	200,000,000	**200,000,000**	200,000,000
Issued and fully paid:				
At 1 June 2006/2005	**106,014,037**	96,414,037	**106,014,037**	96,414,037
Issued during the year pursuant to:				
- Private placement	**10,600,000**	9,600,000	**10,600,000**	9,600,000
- ESOS	**45,000**	-	**45,000**	-
At 31 May	**116,659,037**	106,014,037	**116,659,037**	106,014,037

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

25. SHARE CAPITAL (Cont'd)

(a) During the financial year, the Company increased its issued and paid-up share capital from RM106,014,037 to RM116,659,037 by way of:

(i) the issuance of 10,600,000 ordinary shares of RM1.00 each at par for cash through a private placement, for additional working capital purposes; and

(ii) the issuance of 45,000 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Options Scheme at an exercise price of RM1.00 per ordinary share.

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

(b) The Gadang Holdings Berhad's Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 8 May 2002. The ESOS was implemented on 1 November 2002 and is to be in force for a period of 5 years from the date of implementation. The salient features of the ESOS are disclosed in the directors' report.

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

	Number of Share Options					
	Outstanding At 1 June	Movement during the year Granted	Exercised	Lapsed	Outstanding At 31 May	Exercisable At 31 May
2007						
2002 Options	**1,568,000**	**-**	**(45,000)**	**(37,000)**	**1,486,000**	**1,486,000**
2003 Options	**198,000**	**-**	**-**	**(23,000)**	**175,000**	**175,000**
2004 Options	**611,000**	**-**	**-**	**(48,000)**	**563,000**	**563,000**
2005 Options	**550,000**	**-**	**-**	**(67,000)**	**483,000**	**483,000**
	2,927,000	**-**	**(45,000)**	**(175,000)**	**2,707,000**	**2,707,000**
WAEP	**1.33**	**-**	**1.00**	**1.55**	**1.32**	**1.32**
2006						
2002 Options	1,602,000	-	-	(34,000)	1,568,000	1,568,000
2003 Options	245,000	-	-	(47,000)	198,000	198,000
2004 Options	789,000	-	-	(178,000)	611,000	611,000
2005 Options	650,000	-	-	(100,000)	550,000	550,000
	3,286,000	-	-	(359,000)	2,927,000	2,927,000
WAEP	1.37	-	-	1.68	1.33	1.33

As disclosed in Note (a) above, options exercised during the financial year resulted in the issuance of 45,000 (2006: Nil) ordinary shares at par each. The related weighted average share price at the date of exercise was RM1.15.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

26. RESERVES

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Non-distributable				
Capital reserve	**1,346,681**	1,346,681	**-**	-
Share premium	**8,820,679**	8,994,909	**8,820,679**	8,994,909
Foreign exchange reserve	**(217,362)**	(193,804)	**-**	-
	9,949,998	10,147,786	**8,820,679**	8,994,909
Distributable				
Retained profits	**36,734,536**	24,462,134	**19,596,450**	20,492,251
	46,684,534	34,609,920	**28,417,129**	29,487,160

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

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

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and the tax-exempt income account to frank the payment of dividends out of its entire retained profits as at 31 May 2007.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

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

	Group	
	2007	**2006**
	RM	**RM**
ICULS 2003/2008		
At 1 June 2006/2005	**67,000**	67,000
Converted during the year	**-**	-
At 31 May	**67,000**	67,000
Analysed as:		
Liability component		
Due within 12 months	**1,227**	1,235
Due after 12 months	**654**	2,510
	1,881	3,745
Equity component	**65,119**	63,255
	67,000	67,000

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

28. DEFERRED TAXATION

	Group 2007 RM	Group 2006 RM
At 1 June 2006/2005	**5,919,403**	6,592,494
Arising from acquisition of subsidiaries	**-**	(97,173)
	5,919,403	6,495,321
Recognised in income statement (Note 10)	**(665,429)**	(575,918)
At 31 May	**5,253,974**	5,919,403
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	**6,839,168**	7,421,180
Deferred tax assets	**(1,585,194)**	(1,501,777)
	5,253,974	5,919,403

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

Deferred tax liabilities of the Group:

	Revaluation of land under development RM	Property, plant and equipment RM	Total RM
At 1 June 2006	6,681,152	740,028	7,421,180
Recognised in income statement	(438,599)	(143,413)	(582,012)
At 31 May 2007	6,242,553	596,615	6,839,168
At 1 June 2005	7,098,696	795,798	7,894,494
Arising from acquisition of subsidiaries	-	(97,173)	(97,173)
Recognised in income statement	(417,544)	41,403	(376,141)
At 31 May 2006	6,681,152	740,028	7,421,180

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

28. DEFERRED TAXATION (Cont'd)

	Tax losses and unabsorbed capital allowances RM
Deferred tax assets of the Group:	
At 1 June 2006	(1,501,777)
Recognised in income statement	(83,417)
At 31 May 2007	**(1,585,194)**
At 1 June 2005	(1,302,000)
Recognised in income statement	(199,777)
At 31 May 2006	(1,501,777)

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

	Group 2007 RM	2006 RM
Unused tax losses	**1,191,772**	2,544,437
Unabsorbed capital allowances	**1,631,363**	1,635,262
	2,823,135	4,179,699

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the subsidiaries in which those items arose is subject to no substantial changes in shareholdings of these subsidiaries under Section 44(5A) & (5B) of Income Tax Act, 1967. Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available in these subsidiaries against which the Group can utilise the benefits.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

29. HIRE PURCHASE PAYABLES

	Group 2007 RM	Group 2006 RM
Minimum lease payments:		
Not later than 1 year	**826,223**	1,267,769
Later than 1 year and not later than 2 years	**254,502**	816,219
Later than 2 years and not later than 5 years	**327,999**	481,641
	1,408,724	2,565,629
Less: Future finance charges	**(164,361)**	(339,178)
	1,244,363	2,226,451
Present value of hire purchase liabilities:		
Not later than 1 year	**731,464**	1,100,384
Later than 1 year and not later than 2 years	**421,676**	719,525
Later than 2 years and not later than 5 years	**91,223**	406,542
	1,244,363	2,226,451
Analysed as:		
Due within 12 months	**731,464**	1,100,384
Due after 12 months	**512,899**	1,126,067
	1,244,363	2,226,451

The hire purchase liabilities bear interest at the balance sheet date at flat rates between 2.58% to 6.00% (2006: 3.75% to 4.10%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

30. BANK BORROWINGS

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Short term borrowings				
Secured:				
Bank overdrafts	**14,280,592**	11,637,877	**-**	-
Bankers acceptances	**714,000**	561,000	**126,000**	-
Revolving credits	**5,000,000**	5,000,000	**-**	-
Trust receipts	**714,111**	1,427,381	**714,112**	1,427,381
Term loans	**3,916,252**	4,425,306	**2,883,771**	3,375,348
	24,624,955	23,051,564	**3,723,883**	4,802,729
Long term borrowings				
Secured:				
Term loans	**17,621,296**	21,155,683	**14,985,596**	17,359,062
Total borrowings				
Bank overdrafts	**14,280,592**	11,637,877	**-**	-
Bankers acceptances	**714,000**	561,000	**126,000**	-
Revolving credits	**5,000,000**	5,000,000	**-**	-
Trust receipts	**714,111**	1,427,381	**714,112**	1,427,381
Term loans	**21,537,548**	25,580,989	**17,869,367**	20,734,410
	42,246,251	44,207,247	**18,709,479**	22,161,791
Maturity of borrowings				
Within one year	**24,624,955**	23,051,564	**3,723,883**	4,802,729
More than one year and less than two years	**8,454,631**	4,331,751	**6,570,931**	3,258,756
More than two years and less than five years	**9,166,665**	8,455,138	**8,414,665**	6,517,512
Five years or more	**-**	8,368,794	**-**	7,582,794
	42,246,251	44,207,247	**18,709,479**	22,161,791

The bank borrowings are secured by the following:

(i) charge over freehold land, leasehold land and buildings of certain subsidiaries as disclosed in Note 12(b) and Note 12(c);

(ii) charge over freehold land under development of certain subsidiaries as disclosed in Note 18(a) and Note 18(b)

(iii) charge over leasehold land under development of a subsidiary as disclosed in Note 18(c);

(iv) charge over freehold land held for sale of a subsidiary as disclosed in Note 24;

(v) corporate guarantee by the Company and

(vi) fixed deposits with licensed banks of a subsidiary as disclosed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

30. BANK BORROWINGS (Cont'd)

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

	Group		Company	
	2007	2006	2007	2006
	%	%	%	%
Bank overdrafts	**8.40**	8.73	**-**	-
Bankers acceptances	**2.21**	1.50	**5.50**	-
Revolving credits	**7.59**	5.25	**-**	-
Trust receipts	**8.50**	8.50	**8.50**	8.50
Term loans	**9.68**	9.80	**8.50**	8.50

31. DEFINED BENEFIT OBLIGATIONS

A foreign subsidiary in Indonesia operates an unfunded defined benefit plan for its eligible employees in accordance with the local labour law. The amount recognised in the balance sheet is determined as follows:

	Group	
	2007	2006
	RM	RM
Present value of unfunded defined benefit obligations	**253,742**	165,101
Unrecognised actuarial gains	**(37,277)**	(12,453)
Unrecognised past service costs	**(19,119)**	(21,293)
Net liability recognised in balance sheet	**197,346**	131,355

The amounts recognised in the income statement are as follows:

Current service cost	**47,087**	-
Interest cost	**17,376**	-
Net actuarial losses	**275**	-
Past service costs	**1,253**	-
	65,991	-

Movement in the net liability in the current year were as follows:

At 1 June 2006/2005	**131,355**	-
Arising from acquisition of subsidiary	**-**	131,355
Recognised in income statement (Note 8)	**65,991**	-
At 31 May	**197,346**	131,355

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

31. DEFINED BENEFIT OBLIGATIONS (Cont'd)

	Group	
	2007	**2006**
	%	**%**
Principal actuarial assumptions used:		
Discount rate	**11**	10
Average salary increase	**9**	8

32. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Trade payables (a)	**61,652,578**	55,693,931	**-**	-
Accrued subcontractor work	**14,242,817**	17,863,801	**-**	-
Advances from contract customers (Note 19)	**156,000**	1,611,789	**-**	-
Other payables	**11,169,915**	11,625,232	**72,948**	58,987
Other accruals	**1,492,278**	2,937,629	**116,443**	195,788
Deposits received	**421,960**	168,590	**-**	-
Advances from directors (b)	**2,392,011**	1,599,834	**-**	-
	91,527,559	91,500,806	**189,391**	254,775

The normal trade credit terms granted to the Group range from 30 to 90 (2006: 30 to 90) days.

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

	Group	
	2007	**2006**
	RM	**RM**
(i) Parties related to Dato' Kok Onn:		
- Kok Khim Boon (brother)	**282,249**	407,311
- Kok Kiw (brother) and KNL Jaya Construction Sdn Bhd (company connected to Kok Kiw)	**652,205**	490,503
- Kok Thiam Fook (relative)	**259,593**	339,053
- Magnibiz Sdn Bhd (brother-in-law is a shareholder in the company)	**729,516**	-
(ii) Party related to Koay Teng Keong:		
- Kim Master Tiling & Builders Sdn Bhd (a brother is a shareholder in the company)	**493,830**	590,341
	2,417,393	1,827,208

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

32. TRADE AND OTHER PAYABLES (Cont'd)

(b) Advances from directors are unsecured, interest-free and have no fixed terms of repayment.

	Group	
	2007	**2006**
	RM	**RM**
Advances from directors:		
- Dato' Kok Onn	**2,392,011**	1,595,999
- Koay Teng Keong	**-**	3,835
	2,392,011	1,599,834

33. PROVISION FOR LIABILITIES

	Group	
	2007	**2006**
	RM	**RM**
Provision for liquidated damages		
At 1 June 2006/2005	**-**	-
Additional provision	**635,822**	-
Utilisation of provision	**(188,034)**	-
At 31 May	**447,788**	-

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

34. DIVIDENDS

	2007	**2006**
	RM	**RM**
In respect of financial year ended 31 May 2006: Final dividend of 2%, less 28% taxation on 106,014,037 ordinary shares (1.44 sen per ordinary share)	**1,526,602**	-

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 May 2007, of 2.5% less 27% taxation amounting to a dividend payable of RM2,129,027 (1.83 sen net per ordinary share) based on the paid-up share capital as at 31 May 2007 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 May 2008.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2007 RM	2006 RM
Company		
Subsidiaries:		
Gross dividends received	**1,850,000**	-
Interest receivable	**425,489**	201,333
Management fees receivable	**3,646,000**	2,600,000
Rental of land and buildings payable	**134,676**	134,676
Group		
Sale of development properties to:		
- Director of the Company	**-**	99,988
- A family member of a director of the Company	**-**	99,988
Sale of protective and decorative paints to Globe Leigh's Paints (Shanghai) Co. Ltd. (a)	**-**	253,000
Subcontractor work payable to related parties:		
- Kok Khim Boon (b)	**312,902**	2,043,996
- Kok Kiw (b) and KNL Jaya Construction Sdn Bhd (c)	**7,041,059**	4,073,111
- Kok Thiam Fook (d)	**40,475**	1,187,202
- Kim Master Tiling & Builders Sdn Bhd (e)	**3,572,312**	1,049,637
- Magnibiz Sdn Bhd (f)	**2,130,393**	-

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

36. CONTINGENT LIABILITIES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Corporate guarantees issued by the Group and by the Company to:				
(a) financial institutions for banking and hire purchase facilities granted to subsidiaries	**-**	-	**45,327,620**	52,456,814
(b) financial institutions for bank guarantees granted on behalf of third parties in the ordinary course of business	**11,244,849**	6,627,765	**4,617,135**	477,600
(c) suppliers of certain subsidiaries	**-**	-	**45,910,000**	62,350,000
(d) tenderor as tender bonds	**2,250,000**	160,000	**-**	-
Bank guarantees issued to:				
(a) Director General of Immigration Malaysia	**72,750**	103,250	**-**	-
(b) customers in the ordinary course of business	**8,139,364**	23,077,136	**-**	-
	21,706,963	29,968,151	**95,854,755**	115,284,414

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

37. SEGMENT INFORMATION

(a) Business Segments

31 May 2007	Earthwork, building and civil engineering and construction works RM	Property investment and development RM	Manufacturing and trading in protective and decorative coatings RM	Water concession RM	Investment holding RM	Elimination RM	Consolidated RM
Revenue							
External sales	158,133,131	60,342,740	3,669,416	3,809,813	-	-	225,955,100
Inter-segment sales	149,456,147	3,418,756	3,966,035	147,645	5,496,000	(162,484,583)	-
Total revenue	307,589,278	63,761,496	7,635,451	3,957,458	5,496,000	(162,484,583)	225,955,100
Result							
Segment results	15,703,004	13,241,573	(1,305,701)	375,222	2,960,356	(5,234,350)	25,740,104
Finance costs							(4,161,994)
Share of results of associate							(25)
Profit before tax							21,578,085
Income tax expense							(7,540,529)
Profit for the year							14,037,556
Attributable to:							
Equity holders of the Company							13,799,004
Minority interests							238,552
							14,037,556
Segment assets	242,983,784	174,577,719	21,981,291	29,277,556	167,101,366	(324,707,306)	311,214,410
Segment liabilities	196,320,937	107,412,281	23,336,988	23,141,821	22,545,976	(233,386,708)	139,371,295
Other Information							
Depreciation	2,027,224	232,178	248,224	736,065	7,633	(100,940)	3,150,384
Capital expenditure	721,559	14,038	135,804	166,763	395	-	1,038,559
Reversal of impairment losses	-	-	-	-	(67,752)	-	(67,752)
Other significant non-cash expenses:							
- Provisions	2,100,000	635,822	-	-	-	-	2,735,822

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

37. SEGMENT INFORMATION (Cont'd)

(a) Business Segments (Cont'd)

31 May 2006	Earthwork, building and civil engineering and construction works RM	Property investment and development RM	Manufacturing and trading in protective and decorative coatings RM	Water concession RM	Investment holding RM	Elimination RM	Consolidated RM
Revenue							
External sales	121,793,478	56,912,877	4,282,174	2,640,518	-	-	185,629,047
Inter-segment sales	146,057,167	3,909,452	2,123,717	-	2,600,000	(154,690,336)	-
Total revenue	267,850,645	60,822,329	6,405,891	2,640,518	2,600,000	(154,690,336)	185,629,047
Result							
Segment results	8,761,671	10,187,054	(1,204,476)	648,024	8,937,249	(6,304,517)	21,025,005
Finance costs							(3,685,640)
Profit before tax							17,339,365
Income tax expense							(5,476,474)
Profit for the year							11,862,891
Attributable to:							
Equity holders of the Company							11,916,393
Minority interests							(53,502)
							11,862,891
Segment assets	221,862,772	167,377,083	18,392,941	25,233,329	157,006,981	(289,954,221)	299,918,885
Segment liabilities	181,100,067	108,647,991	18,280,775	21,551,404	22,420,309	(202,369,367)	149,631,179
Other Information							
Depreciation	2,861,406	353,264	243,150	376,405	17,455	(79,711)	3,771,969
Capital expenditure	2,291,497	22,962	399,226	2,826	9,811	-	2,726,322
Amortisation	-	-	-	-	2,812,696	-	2,812,696
Impairment losses	-	-	-	-	5,800,000	-	5,800,000
Other significant non-cash expenses:							
- Bad debts written off	2,401,596	-	-	-	-	-	2,401,596

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

37. SEGMENT INFORMATION (Cont'd)

(b) Geographical Segments

	Total revenue from external customers RM	Segment assets RM	Capital expenditure RM
31 May 2007			
Malaysia	**222,145,287**	**293,131,079**	**871,796**
Indonesia	**3,809,813**	**11,147,330**	**166,763**
Singapore	**-**	**6,936,001**	**-**
	225,955,100	**311,214,410**	**1,038,559**
31 May 2006			
Malaysia	182,988,529	286,219,198	2,723,496
Indonesia	2,640,518	8,639,892	2,826
Singapore	-	5,059,795	-
	185,629,047	299,918,885	2,726,322

38. COMMITMENTS

	Group 2007 RM	Group 2006 RM
Approved and contracted for:		
Acquisition of investments	1,692,000	5,000,000

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

39. SIGNIFICANT EVENTS DURING THE YEAR

(a) On 25 July 2006, Gadang Land Sdn Bhd ("GLSB"), a wholly-owned subsidiary of the Company, acquired 25 ordinary shares of RM1.00 each representing 25% of the issued and paid-up share capital of Maha Abadi Sdn Bhd ("Maha Abadi") for a cash consideration of RM25. The intended principal activity of Maha Abadi is property development.

(b) On 20 April 2006, Asian Utilities Pte Ltd ("AUPL"), a company incorporated in Singapore and wholly-owned by Regional Utilities Sdn Bhd which in turn is a wholly-owned subsidiary of the Company, entered into a Conditional Shares Sale and Purchase Agreement ("SPA") with H. Arifudin Patiroy SE, Doni and Tony Taly (collectively known as "the Seller") to acquire from the Seller their respective shares ("Sale Shares") amounting to 2,500 shares of Indonesian Rupiah (IDR) 100,000 each, representing 100% equity interest in PT Bintang Hytien Jaya ("BHJ"), a company incorporated in Indonesia, for a purchase price of IDR250 million (equivalent to approximately RM100,000).

Pursuant to the SPA, AUPL is obliged to repay the Shareholders' Loan of IDR9.26 billion (equivalent to approximately RM3.9 million) and the Seller undertakes to transfer 5% of the Sale Shares to an Indonesian party to be nominated by AUPL.

BHJ is involved in supplying clean water in Kabupaten Kota Tangerang, Indonesia in accordance with Cooperation Agreement between BHJ and Perusahaan Daerah Air Minum Kota Tangerang dated 17 May 2002.

The abovementioned acquisition has been completed on 28 August 2006.

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

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

(d) On 25 September 2006, Splendid Pavilion Sdn Bhd ("SPSB"), a wholly-owned subsidiary of GLSB which in turn is a wholly-owned subsidiary of the Company had entered into a joint venture agreement ("JVA") with Multiforum Sdn Bhd ("Multiforum") to jointly develop a piece of freehold land in Segambut, Kuala Lumpur into a housing development known as Taman Seri Bukit Segambut ("the JV Project").

The housing development has commenced operations on 7 July 2007.

(e) On 27 September 2006, GLSB acquired the entire equity interest in Crimson Villa Sdn Bhd ("Crimson Villa"), comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2.00. The intended principal activity of Crimson Villa is property development.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

39. SIGNIFICANT EVENTS DURING THE YEAR (Cont'd)

(f) On 17 November 2006, Molop Corporation-Gadang Engineering Joint Venture ("JV"), an unincorporated Joint Venture comprising Gadang Engineering (M) Sdn Bhd ("GESB"), a wholly-owned subsidiary of the Company and Molop Corporation Sdn Bhd ("Molop"), received a Letter of Intent dated 16 November 2006 from the Government of Malaysia to appoint the JV on direct negotiation basis to implement a project of the Government. The sharing of the rights and liabilities of Molop and GESB in the JV shall be in the proportion of 30:70.

The abovementioned arrangement is pending finalisation of the negotiation and the letter of award for the Project as at the date the financial statements are authorised for issue.

(g) The Company had on 6 November 2006 announced the proposal to undertake a private placement exercise of up to a maximum of 10,898,800 new ordinary shares of RM1.00 each, representing not more than ten percent (10%) of the issued and paid-up share capital of the Company, to placees to be identified ("the Private Placement").

Via the letter dated 1 December 2006, the Securities Commission ("SC") and SC (on behalf of Foreign Investment Committee) approved the Private Placement. The placement of 10,600,000 new ordinary shares of RM1.00 each in the Company to several identified placees at an issue price of RM1.00 per share was completed on 12 February 2007.

(h) On 18 May 2007, the Company entered into a Memorandum of Understanding ("MOU") with Qingxiu District Government, Nanning, China ("Qingxiu") to enable the Company to participate in the investment of a waste water treatment plant in Qingxiu District, Nanning, Guangxi Province, China.

Under the pre-contract stage, Qingxiu is responsible for getting the approval from the government for this waste water treatment project. After the approval is obtained, the Company will commence the design and construction of the treatment plant with the assistance of Qingxiu.

As at the date the financial statements are authorised for issue, there has been no further development since the signing of the MOU.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

40. SUBSEQUENT EVENTS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

41. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(b) Interest Rate Risk

The Group's primary interest rate risk relates to bank borrowings as the Group had no substantial long term interest-bearing assets as at 31 May 2007. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits which yield better returns than cash at bank.

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

(c) Liquidity Risk

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

(d) Credit Risk

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

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(e) Foreign Exchange Risk

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

41. FINANCIAL INSTRUMENTS (Cont'd)

(f) Fair Values

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

	Group		Company	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
At 31 May 2007				
Other investments				
- quoted	176,200	190,611	-	-
- unquoted	226,000	*	-	-
Amounts due from subsidiaries	-	-	80,034,268	#
Hire purchase payables	512,899	486,160	-	-
Advances from directors	2,392,011	#	-	-
Term loans	17,621,296	@	14,985,596	@
Amounts due to subsidiaries	-	-	3,645,225	#
At 31 May 2006				
Other investments				
- quoted	108,447	99,198	-	-
- unquoted	226,000	*	-	-
Amounts due from subsidiaries	-	-	74,479,711	#
Hire purchase payables	1,126,067	1,067,362	-	-
Advances from directors	1,599,834	#	-	-
Term loans	21,155,683	@	17,359,062	@
Amounts due to subsidiaries	-	-	3,048,560	#

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 MAY 2007

42. RESTATEMENT OF COMPARATIVES

The following comparative amounts have been restated as a result of changes in accounting policies following adoption of new and revised FRSs as disclosed in Note 3:

	As Previously Stated RM	Adjustments FRS 5 Note 3(c) RM	FRS 140 Note 3(e) RM	As Restated RM
Balance sheets at 31 May 2006				
Group				
Property, plant and equipment	26,689,870	-	(405,760)	26,284,110
Investment properties	-	-	628,560	628,560
Assets held for sale	-	8,156,100	-	8,156,100
Other assets	8,378,900	(8,156,100)	(222,800)	-

	As Previously Stated RM	Adjustments FRS 101 Note 3(d) RM	As Restated RM
Income statements for the year ended 31 May 2006			
Group			
Other income	8,278,506	2,417,677	10,696,183
Finance costs	(1,267,963)	(2,417,677)	(3,685,640)
Company			
Other income	7,164,969	1,931,330	9,096,299
Finance income/(costs)	316,732	(1,931,330)	(1,614,598)

LIST OF PROPERTIES

AS AT 31 MAY 2007

Title/Location	Description /Existing use	Tenure	Acquisition Date (Revaluation Date)	Approximate Land Area/ (Built-up Area) in sq. ft	Estimated Age of Building/ Land	Net Book Value RM
Wisma Gadang No. 52 Jalan Tago 2 Off Jalan Persiaran Utama Sri Damansara 52200 Kuala Lumpur	6 ½ storey office block for own use	Freehold	(June 1997)	42,619 (45,043)	10 years	8,044,913
Plot No. 86 CD Emville Golf Resort Mukim Setul District of Seremban Negeri Sembilan	Vacant bungalow lot for investment	Leasehold ending 13/12/2082	(June 1997)	8,000	N/A	142,080
C.T. No. 12831 for Lot No. 1885 C.T. No. 12382 for Lot No. 1886 And C.T. No. 9041 for Lot No. 1888 Mukim of Rawang District of Ulu Selangor	Vacant industrial land for development	Freehold	20/12/1994	2,361,000	N/A	8,010,077
Bandar Tasik Semenyih PT 8298 HS(M) 4984	Vacant bungalow lot for sale	Leasehold ending 5/11/2094	23/12/1999	11,125	N/A	258,751
Lot 183 to 186 Mukim of Rawang District of Gombak State of Selangor	Industrial land for sale	Freehold	2/8/2001	198,712	N/A	3,974,240
Lot 179 & 181 Mukim of Rawang District of Gombak State of Selangor	Industrial land for sale	Freehold	14/1/2002	105,733	N/A	2,114,660
Lot 189 Mukim of Rawang District of Gombak State of Selangor	Industrial land for sale	Freehold	3/7/2003	43,725	N/A	699,600

LIST OF PROPERTIES (Cont'd)

AS AT 31 MAY 2007

Title/Location	Description /Existing use	Tenure	Acquisition Date (Revaluation Date)	Approximate Land Area/ (Built-up Area) in sq. ft	Estimated Age of Building/ Land	Net Book Value RM
HS(D) 106032 PT 19284 to HS(D) 106034 PT 19286 Mukim Batu, Segambut	Mandy Court M Avenue	Leasehold ending 2102	28/12/2002	278,696	N/A	17,796,710
Geran No. 49848, Lot No. 1132 Daerah Johor Baru, Bandar Johor Baru Negeri Johor Darul Taksim	Mixed industrial and commercial development	Freehold	31/7/2003	1,166,808	N/A	25,565,036
HS(D) 179584 PT 283 HS(D) 179585 PT 284 Taman Perindustrian Puchong Seksyen 5 Mukim of Petaling Selangor	2 units of 1½ storey semi-detached factory	Leasehold ending 2101	July 2004	30,494	9	2,204,571
168 lots of land held under HS(D) 41477 to 41506, PT No. 24239 to 24268; HS(D) 41509 to 41568. PT No. 24271 to 24330; HS(D) 42189 to 42203, PT No. 24952 to 24966; HS(D) 42205 to 42212, PT No. 24968 to 24975; HS(D) 42312 to 42366, PT No. 24976 to 25030 Mukim of Rawang, District of Gombak, State of Selangor	Land for development (residential)	Freehold	31/10/2005	476,388	N/A	7,622,208

STATEMENT OF DIRECTORS' SHAREHOLDINGS

AS AT 28 SEPTEMBER 2007

THE COMPANY

	Number of Ordinary Shares of RM1.00 each			
	Direct Interest	**%**	**Deemed interest**	**%**
Dato' Kok Onn	2,650,000	2.25	34,005,100 (a)	28.87
Koay Teng Keong	279,000	0.24	55,000 (b)	0.05
Ling Hock Hing	152,000	0.13	-	-
Chan Ah Kam @ Chan Ah Thoong	179,000	0.15	5,000 (b)	0.00

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

(b) Deemed interested through shareholding held by spouse by virtue of Section 134 of the Act.

Gadang Holdings Berhad Employees' Share Option Scheme

	No. of Share Options	Option Price (RM)
Koay Teng Keong	49,000	1.70
Ling Hock Hing	158,000	1.00
	49,000	1.70
Chan Ah Kam @ Chan Ah Thoong	49,000	1.70

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

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

STATISTICS ON SHARES AND CONVERTIBLE SECURITIES

AS AT 28 SEPTEMBER 2007

SHARE CAPITAL

Authorised Share Capital	:	RM200,000,000
Issued & Fully Paid-Up Share Capital	:	RM117,777,037
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One vote per shareholder on a show of hands or one vote per ordinary share on a poll

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 99	8	0.16	423	0.00
100 - 1,000	1,315	26.04	1,286,454	1.09
1,001 - 10,000	2,808	55.59	13,253,377	11.25
10,001 - 100,000	825	16.33	25,538,083	21.68
100,001 - 5,888,850	93	1.84	43,693,600	37.11
5,888,851 * and above	2	0.04	34,005,100	28.87
Total	5,051	100.00	117,777,037	100.00

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

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of Shares Held			
Name	Direct Interest	%	Deemed Interest	%
1. Sumber Raswira Sdn Bhd	17,046,900	14.47	-	-
2. Dato' Kok Onn	2,650,000	2.25	34,005,100 (a)	28.87
3. Meloria Sdn Bhd	16,958,200	14.40	-	-
4. Datin Chan Ngan Thai	-	-	16,958,200 (b)	14.40

(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.

STATISTICS ON SHARES AND CONVERTIBLE SECURITIES (Cont'd)

AS AT 28 SEPTEMBER 2007

THIRTY LARGEST SHAREHOLDERS

		No. of Shares	%
1.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged securities for Sumber Raswira Sdn Bhd*	17,046,900	14.47
2.	OSK Nominees (Tempatan) Sdn Berhad *Pledged securities account for Meloria Sdn Bhd*	16,958,200	14.40
3.	Chia Ting Poh @ Cheah Ting Poh	5,000,000	4.25
4.	HSBC Nominees (Asing) Sdn Bhd *BNP Paribas Arbitrage (Hong Kong) Limited*	4,533,700	3.85
5.	EB Nominees (Tempatan) Sendirian Berhad *Pledged securities account for Kok Onn*	2,650,000	2.25
6.	Ke-Zan Nominees (Asing) Sdn Bhd *Kim Eng Securities Pte. Ltd for Low Yoon Keong*	2,500,000	2.12
7.	Ting Keaw @ Law Lee See	2,205,000	1.87
8.	Tan Poh Eng @ Tan Poh Ang	1,515,200	1.29
9.	Lim Hin	1,255,500	1.07
10.	HDM Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ting Keaw @ Law Lee See*	1,240,100	1.05
11.	Citigroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lee Yoke Koon*	1,165,800	0.99
12.	Wu Chung Ta	1,072,000	0.91
13.	Loo Chuen Far	1,000,000	0.85
14.	Law Wan Cheen	1,000,000	0.85
15.	EB Nominees (Tempatan) Sendirian Berhad *Pledged securities account for Liew Swee Kong*	936,300	0.80
16.	Mayban Nominees (Tempatan) Sdn Bhd *Pledged securities account for Yeoh Ah Tu*	926,600	0.79
17.	Ter Leong Hing	638,000	0.54
18.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ng Teck Yong*	628,800	0.53
19.	Dato' Soo Lai Sing	600,000	0.51
20.	Yeoh Ah Tu	600,000	0.51
21.	Affin Nominees (Tempatan) Sdn Bhd *EassetManagement Sdn Bhd for Ter Leong Hing*	516,000	0.44

STATISTICS ON SHARES AND CONVERTIBLE SECURITIES (Cont'd)

AS AT 28 SEPTEMBER 2007

THIRTY LARGEST SHAREHOLDERS (Cont'd)

	No. of Shares	%
22. Affin Nominees (Tempatan) Sdn Bhd *EassetManagement Sdn Bhd for Chan Yoke Yen*	467,000	0.40
23. Tan Foo Tin	400,000	0.34
24. Wong Fuei Boon	400,000	0.34
25. Lim Ean	378,000	0.32
26. Yeoh Ah Tu	358,000	0.30
27. Mat Eusoff @ Mohd Eusoff Bin Chin	300,000	0.25
28. Ahmad Hisham Bin Zainol Abidin	300,000	0.25
29. RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged securities account for Fong Jong Yan*	300,000	0.25
30. Koay Teng Keong	279,000	0.24
	67,170,100	57.03

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

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

Size of ICULS Shareholdings	No. of ICULS Holders	%	No. of ICULS	%
Less than 99	0	0.00	0	0.00
100 - 1,000	2	33.33	2,000	2.99
1,001 - 3,349	0	0.00	0	0.00
3,350* and above	4	66.67	65,000	97.01
	6	100.00	67,000	100.00

* denotes 5% of the ICULS outstanding

THIRTY LARGEST ICULS HOLDERS

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of **Gadang Holdings Berhad** ("the Company") will be held at Kiara Room, Sri Damansara Club, Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur on **Thursday, 22nd November 2007** 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 2007 together with the Reports of the Directors and Auditors thereon. **(Ordinary Resolution 1)**

2. To approve the payment of a First and Final Dividend of 2.5 % per share less 27% income tax in respect of the financial year ended 31 May 2007. **(Ordinary Resolution 2)**

3. To approve the payment of Directors' fees of RM73,000.00 in respect of the financial year ended 31 May 2007. **(Ordinary Resolution 3)**

4. To re-elect the following Directors retiring pursuant to Article 108 of the Company's Articles of Association:

   (a) Dato' Kamaruddin Bin Abdul Ghani **(Ordinary Resolution 4)**

   (b) Dato' Kok Onn **(Ordinary Resolution 5)**

   (c) Mr Koay Teng Keong **(Ordinary Resolution 6)**

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

AS SPECIAL BUSINESS

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

6. Authority to Directors to issue shares

"**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorized to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum of the issued and paid-up share capital of the Company for the time being, subject always to the approvals of the relevant regulatory authorities." **(Ordinary Resolution 8)**

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

"**THAT**, subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature and for the provision

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

of financial assistance as set out in Section 2.4 of the Circular to Shareholders dated 30 October 2007 ("Circular") with the related parties listed in Section 2.3 of the Circular which are necessary for the day-to-day operations, in the ordinary course of business, made at arm's length basis and on normal commercial 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 by a resolution passed at the said AGM, the authority is renewed;

(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 in general meeting;

whichever is the earlier;

AND THAT, the Directors and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorized by this resolution." **(Ordinary Resolution 9)**

8. **Proposed Amendments to the Articles of Association of the Company**

"**THAT** alterations, modifications, additions or deletions to the Articles of Association of the Company as set out under Appendix I of the Circular to Shareholders dated 30 October 2007 be and are hereby approved." **(Special Resolution)**

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT DATE

NOTICE IS ALSO GIVEN THAT the First and Final Dividend of 2.5% per share less 27% income tax, for the financial year ended 31 May 2007, if approved by the shareholders at the Fourteenth Annual General Meeting, will be paid on 27 December 2007 to Depositors whose names appear in the Record of Depositors on 30 November 2007.

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

a. Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 30 November 2007 in respect of transfers; and

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

BY ORDER OF THE BOARD

Sally Tan Seok Chung
Secretary

Kuala Lumpur
30 October 2007

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

NOTES:

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

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

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

EXPLANATORY NOTES ON SPECIAL BUSINESS

Ordinary Resolution 8 - Authority to Directors to issue shares
The proposed Ordinary Resolution 8, if passed, will give the Directors of the Company authority to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Ordinary Resolution 9 - Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature and for the provision of financial assistance
The proposed Ordinary Resolution 9, if passed, will empower the Company and its subsidiaries ("Gadang Group") to enter into recurrent related party transactions of a revenue or trading nature and for the provision of financial assistance which are necessary for Gadang Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Details relating to Ordinary Resolution 9 are set out in the Circular to Shareholders dated 30 October 2007 which is despatched together with this Annual Report 2007.

Special Resolution – Proposed Amendments to the Articles of Association of the Company
The proposed Special Resolution, if passed, will enable the Company to align the Articles of Association of the Company with recent amendments to the Listing Requirements of Bursa Malaysia Securities Berhad and to provide clarity in the Company's Articles of Association. The relevant information of Special Resolution is set out in Appendix I of the Circular to Shareholders dated 30 October 2007 attached to the Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.28(2) OF LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

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

    a) Dato' Kamaruddin Bin Abdul Ghani
    b) Dato' Kok Onn
    c) Mr Koay Teng Keong

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

3. The details of any interest in the securities of the Company and its subsidiaries (if any) held by the said Directors are stated on page 107 of the Annual Report 2007.

NO. OF SHARES HELD	CDS ACCOUNT NO.

FORM OF PROXY

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

of ____
(FULL ADDRESS)

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

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

of ____
(FULL ADDRESS)

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

of ____
(FULL ADDRESS)

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at Kiara Room, Sri Damansara Club, Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur on Thursday, 22 November 2007 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	Receipt of Audited Financial Statements and Reports		
2	Approval of First and Final Dividend		
3	Approval of payment of Directors’ fees		
4	Re-election of Dato’ Kamaruddin Bin Abdul Ghani as Director		
5	Re-election of Dato’ Kok Onn as Director		
6	Re-election of Mr Koay Teng Keong as Director		
7	Re-appointment of Messrs Ernst & Young as Auditors		
8	Authority for the Directors to issue shares		
9	Procurement of shareholders’ mandate for Recurrent Related Party Transactions		
10	**SPECIAL RESOLUTION** Proposed Amendments to the Articles of Association of the Company		

* Strike out whichever not applicable

Dated this ______________ day of ______________________ , 2007

____
Signature of Member/Common Seal

Notes:

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

Fold this flap for sealing

Then fold here

Affix Stamp

The Company Secretary
Gadang Holdings Berhad
(278114-K)
Wisma Gadang, No. 52 Jalan Tago 2
Off Jalan Persiaran Utama
Sri Damansara
52200 Kuala Lumpur

1st fold here

www.gadang.com.my