



**GADANG HOLDINGS BERHAD**  
(Company No. 278114-K)

**INTERIM REPORT FOR THE QUARTER ENDED 28 FEBRUARY 2011**

**PART A - EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD FRS 134**

**A1. BASIS OF PREPARATION**

The interim financial report is unaudited and has been prepared in accordance with the requirements of FRS 134 - Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 May 2010. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 May 2010.

The accounting policies adopted by the Group in the quarterly financial statements are consistent with those adopted in the financial statements for year ended 31 May 2010, except for the changes arising from the adoption of new / revised Financial Reporting Standards (FRSs), Amendments to FRSs and IC Interpretations that are effective for financial period beginning 1 June 2010 as follows:

**(a) Revised FRS 101: Presentation of Financial Statements**

The revised standard requires changes in the format of the financial statements including the amounts directly attributable to shareholders in the primary statements, but does not affect the measurement of reported profit or equity. The Group has elected to present the statement of comprehensive income in two statements.

Comparative information has been re-presented to be in conformity with this revised FRS.

The adoption of this FRS has no impact on the financial position and results of the Group as it affects presentation of the financial statements only.

**(b) Amendment to FRS117: Leases**

Prior to the adoption of the Amendment to FRS 117, leasehold lands were treated as operating leases. The consideration paid were classified and presented as prepaid lease payments and amortised on a straight line basis over the lease term.

Upon adoption of the Amendment to FRS 117, leasehold land is classified as a finance lease if the Group has substantially all the risk and rewards incidental to ownership of the land. The Group has concluded that all leasehold land of the Group are in substance finance lease and has reclassified its leasehold land from prepaid lease payments to Property, Plant and Equipment.



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**(b) Amendment to FRS117: Leases (cont'd)**

The effect of the reclassification to the comparative of the prior year's statement of financial position is as follows;

<b>Balance Sheet @ 31 May 2010</b>	<b>As previously stated</b>	<b>FRS 117 Adjustment</b>	<b>As Restated</b>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Property, plant and equipment	70,600	2,450	73,050
Prepaid lease payments	2,450	(2,450)	-

**(c) FRS 139 Financial Instruments: Recognition and Measurement**

FRS 139 sets out the new requirements for the recognition and measurement of financial statements. Financial instruments are recognized initially at fair value plus, in the case of financial assets or liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities. The Group determines the classification of its financial instruments at initial recognition.

The Group categorises its financial assets as follow:

**(i) Financial assets**

Financial assets are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Loans and receivables

Loans and receivables category comprises trade and other receivables and cash and cash equivalents which are subsequently measured at amortised cost using the effective interest method.

**(ii) Financial liabilities**

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities include trade and other payables, and borrowings that are classified as liabilities.

All the Group's financial liabilities are measured at amortised cost using the effective interest method.

In accordance with the transitional provisions of FRS 139 for the first-time adoption, adjustments arising from remeasuring the financial instruments at the beginning of the financial period are recognized as adjustments of the opening balance of retained profits or another appropriate reserve and comparatives are not adjusted.



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**(ii) Financial liabilities- (Cont'd)**

Accordingly, the effects of the initial adoption of FRS 139 on opening retained profits of the Group are as follows:

	Retained profits RM'000
Adjustments arising from adoption of FRS 139:	
- Impairment of trade receivable, net of tax	1,615

Impairment of trade receivables

Prior to 1 June 2010, provision for doubtful debts was recognized when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognized when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 June 2010, the Group has remeasured the allowance for the impairment losses as at that date in accordance with FRS 139 and the difference is recognized as adjustments to the opening balance of retained earnings as at that date

The initial application of the other new / revised FRSs, Amendment to FRSs and IC Interpretations has no material impact to the financial statements of the Group.

**A2. AUDIT REPORT**

The auditors' report on the Group's annual financial statements for the year ended 31 May 2010 was not subject to any audit qualification.

**A3. SEASONAL OR CYCLICAL FACTORS**

The Group's business operations for the quarter ended 28 February 2011 have not been materially affected by seasonal or cyclical factors.

**A4. EXCEPTIONAL ITEMS**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter under review.

**A5. EFFECTS OF CHANGES IN ESTIMATES**

There were no changes in estimates that have a material effect in the current quarter and financial period ended 28 February 2011.

**A6. CHANGES IN DEBT AND EQUITY SECURITIES**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period ended 28 February 2011.

**A7. DIVIDEND PAID**

There was no payment of dividend in the current quarter.



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**A8. SEGMENTAL REPORTING**

**9 months ended 28 February 2011 (Current Financial Period)**

<u>SEGMENT</u>	<u>REVENUE</u>			<u>RESULT</u>		
	External RM'000	Internal* RM'000	Total RM'000	PBT^ RM'000	Taxation RM'000	PAT# RM'000
Earthworks, engineering and construction works	238,193	43,433	281,626	314	(85)	229
Property investment and development	28,183	2,388	30,571	6,625	(2,594)	4,031
Water concession	10,598	740	11,338	2,011	(83)	1,928
Plantation	-	-	-	(391)	-	(391)
Investment Holdings and Others	4	3,983	3,987	671	(84)	587
Elimination	-	(50,544)	(50,544)	(1,991)	951	(1,040)
Consolidated	276,978	-	276,978	7,239	(1,895)	5,344

**9 months ended 28 February 2010 (Previous Financial Period)**

<u>SEGMENT</u>	<u>REVENUE</u>			<u>RESULT</u>		
	External RM'000	Internal* RM'000	Total RM'000	PBT^ RM'000	Taxation RM'000	PAT# RM'000
Earthworks, engineering and construction works	136,420	99,772	236,192	8,625	(2,349)	6,276
Property investment and development	36,035	3,304	39,339	5,011	(1,020)	3,991
Water concession	10,059	612	10,671	1,395	(508)	887
Plantation	-	-	-	(347)	-	(347)
Investment Holdings and Others	74	18,312	18,386	15,061	(4,086)	10,975
Elimination	-	(122,000)	(122,000)	(14,682)	3,850	(10,832)
Consolidated	182,588	-	182,588	15,063	(4,113)	10,950

Note : \* Inter-segment revenue  
^ Profit/(Loss) before tax  
# Profit/(Loss) after tax

**A9. CARRYING AMOUNT OF REVALUED ASSETS**

The valuations of property, plant and equipment have been brought forward without amendment from the audited financial statements for the year ended 31 May 2010.

**A10. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

There were no material events subsequent to the balance sheet date.



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**A11. CHANGES IN COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group for the current quarter and financial period ended 28 February 2011, except the following events:-

- (i) On 5 October 2010, Gadang Plantations Holdings Sdn Bhd, the Company's wholly-owned subsidiary, had acquired two (2) ordinary shares of RM1.00 each representing 100% equity interest in Jauhari Mahir Sdn Bhd ("Jauhari Mahir") for a cash consideration of RM2.00. Jauhari Mahir was incorporated on 27 January 2010 and its principal activity is oil palm plantation.
- (ii) On 11 November 2010, the Company's indirect wholly-owned subsidiary, Flora Masyhur Sdn Bhd had completed its acquisition of 70% equity interest in Camar Ajaib Sdn Bhd ("CASB"). Accordingly, CASB became an indirect 70% owned subsidiary of the Company.

**A12. CHANGES IN CONTINGENT LIABILITIES**

Corporate guarantees given by the Company to trade suppliers and various financial institutions for credit and hire purchase facilities granted to subsidiary companies are as follows :-

	<u>RM'000</u>
As at 31 May 2010	241,114
Increase during the financial period	154,713
As at 28 February 2011	<u>395,827</u>

**A13. CAPITAL COMMITMENTS**

As at 28 February 2011

	<u>RM'000</u>
<b>Approved and contracted for</b>	
- Purchase of land for property development	13,000
<b>Approved and not contracted for</b>	
- Oil palm plantations development	18,000
	<u>31,000</u>
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## **GADANG HOLDINGS BERHAD**

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### **INTERIM REPORT FOR THE QUARTER ENDED 28 FEBRUARY 2011**

#### **PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

##### **B1. GROUP PERFORMANCE REVIEW**

For the nine months period ended 28 February 2011, the Group recorded revenue of RM276.99 million, an increase of 52% as compared to RM182.59 million registered in the corresponding financial period last year. Despite the higher revenue, the Group's gross profit declined by 4% mainly due to lower margin recognised by the Construction Division during the financial period under review.

The Group recorded bad and doubtful debts and impairment of goodwill of RM10.46 million for the financial period under review. Consequently, the Group registered a 51% decline in profit before taxation to RM7.24 million as compared to RM15.06 million recorded in the previous corresponding financial period.

The Group's revenue for the current quarter as compared to the previous corresponding quarter recorded an improvement in revenue to RM73.78 million from RM61.80 million. Meanwhile, the gross profit margin declined by 7.5% mainly due to the unfavourable results by the Construction Division. Consequent to the above, the Group recorded a profit before tax of RM3.49 million in the current quarter against RM5.91 million registered in the previous corresponding quarter.

##### **B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS**

The Group recorded a decrease in revenue by 39% to RM73.78 million as compared to RM120.56 million registered in the preceding quarter. The reduction was due to lower recognition of work completed by the Construction Division during the quarter under review.

The Group registered a profit before taxation of RM3.49 million for the current quarter, against a loss of RM4.68 million in the preceding quarter. The losses in the immediate preceding quarter were mainly due to bad and doubtful debts being written-off.

##### **B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR**

The Group expects the remaining financial quarter to be challenging in view of the cost impact on the existing projects.

##### **B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT AND SHORTFALL IN PROFIT GUARANTEE**

This is not applicable to the Group.



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#### PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

##### B5. TAXATION

Taxation comprises the following:-

	Current quarter RM'000	9 months Year-to-date RM'000
Current tax:		
Malaysian income tax	1,209	1,255
Foreign tax	(270)	53
Under / (over) provision for prior years	49	587
Deferred taxation	-	-
	<u>988</u>	<u>1,895</u>

The effective tax rate for the Group for the financial period is higher than the statutory tax rate because certain expenses are not allowable as deduction for tax purposes.

##### B6. SALES OF UNQUOTED INVESTMENTS/PROPERTIES

There were no disposals of unquoted investments or properties during the period under review.

##### B7. QUOTED SECURITIES

There were no dealings in quoted securities during the period under review.

##### B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no pending corporate proposals.

##### B9. GROUP BORROWINGS

The details of the Group borrowings are as follows: -

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings	117,780	-	117,780
Long term borrowings	36,028	-	36,028
	<u>153,808</u>	<u>-</u>	<u>153,808</u>
Borrowings denominated in foreign currency :			
	<b>Rp'000</b>		<b>RM'000</b>
Indonesian Rupiah (Rp)	17,513,441		6,060

##### B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at the date of this report.



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#### B11. MATERIAL LITIGATION

As at 21 April 2011, being 7 days prior to the date of this report, there has been no material litigation pending of which the value exceeds 5% of the Group's net tangible assets.

#### B12. DIVIDEND

The Board of Directors does not recommend any payment of dividend for the third quarter ended 28 February 2011.

#### B13. EARNINGS PER SHARE

##### Basic earnings per share

The basic earnings per share has been calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares that would have been during the financial year, calculated as follows :-

	INDIVIDUAL QUARTER		YEAR-TO-DATE	
	28/02/2011	28/02/2010	28/02/2011	28/02/2010
Profit attributable to ordinary equity holders of the Company (RM'000)	2,106	4,313	4,617	11,682
Weighted average number of ordinary shares ('000)	196,691	118,016	161,532	118,016
Basic earnings per share(sen)	1.07	3.65	2.86	9.90

#### B14. UTILISATION OF PROCEEDS

As at 28 February 2011, the Company has utilised approximately 76% of the proceeds raised from its Rights Issue which was completed on 4 October 2010. The breakdown of the utilisation is as follows:-

	<u>Nature of Expenses</u>	Proposed Amt RM'000	Actual Utilisation		Unutilised Amt RM'000
			RM'000	%	
i.	Repayment of bank borrowings	8,000	8,000	100	-
ii.	Working Capital	42,340	30,212	71	12,128
iii.	Expenses for the proceeds	800	800	100	-
	<b>Total</b>	<b>51,140</b>	<b>39,012</b>	<b>76</b>	<b>12,128</b>





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##### B15. DISCLOSURE OF REALISED AND UNREALISED PROFITS

On 25 March 2010, Bursa Malaysia Securities Berhad (“Bursa Securities”) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profit or losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the format required.

The breakdown of the retained profits of the Group as at 28 February 2011, into realised and unrealised profits, pursuant to the directive, is as follows:

	<b>As at 28.02.2011 RM'000</b>	<b>As at 28.02.2010 RM'000</b>
Total Retained profits / (losses) of the Group		
- Realised	36,006	54,940
- Unrealised	(294)	354
Total Retained Profits as per statement of financial position	<u>35,712</u>	<u>55,294</u>

The determination of realised and unrealised profits is compiled based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements as stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

**BY ORDER OF THE BOARD,**  
**Tan Seok Chung**  
**Company Secretary**  
**28 April 2011**