



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 31 AUGUST 2011

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

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 2011. 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 2011.

A2. CHANGES IN ACCOUNTING POLICIES

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 2011, 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 2011 as follows:

FRS 4: Insurance Contracts

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

Amendments to FRS 2: Share-based Payment: Vesting Conditions and Cancellations

Amendments to FRS 7: Financial Instruments: Disclosures

Amendments to FRS 132: Financial Instruments: Presentation

Amendments to FRS 139, FRS 7 and IC Interpretation 9: Financial Instruments: Recognition and Measurement, Disclosures and Reassessment of Embedded Derivatives

Amendments to FRSs Improvements to FRSs (2009)

IC Interpretation 9: Reassessment of Embedded Derivatives and Impairment

IC Interpretation 10: Interim Financial Reporting and Impairment

IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions

IC Interpretation 13: Customer Loyalty Programmes

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

TR i – 3: Presentation of Financial Statements of Islamic Financial Institutions

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.

A3. AUDIT REPORT

The auditors' report on the Group's annual financial statements for the year ended 31 May 2011 was not subject to any audit qualification.



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A4. SEASONAL OR CYCLICAL FACTORS

The Group's business operations for the quarter ended 31 August 2011 have not been materially affected by seasonal or cyclical factors.

A5. EXCEPTIONAL ITEMS

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

A6. EFFECTS OF CHANGES IN ESTIMATES

There were no changes in estimates that have a material effect in the current quarter and financial period ended 31 August 2011.

A7. CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the financial period ended 31 August 2011.

A8. DIVIDEND PAID

There was no payment of dividend in the current quarter.

A9. SEGMENTAL REPORTING

3 months ended 31 August 2011 (Current Financial Period)

<u>SEGMENT</u>	<u>REVENUE</u>			<u>RESULT</u>		
	External RM'000	Internal* RM'000	Total RM'000	PBT/ (LBT)^ RM'000	Taxation RM'000	PAT/ (LAT)# RM'000
Earthworks, engineering and construction works	44,047	2,739	46,786	(2,299)	(94)	(2,393)
Property investment and development	23,275	141	23,416	5,849	(923)	4,926
Water concession	4,010	-	4,010	1,549	(304)	1,245
Plantation	-	-	-	(267)	-	(267)
Investment Holdings and Others	-	1,003	1,003	(235)	-	(235)
Elimination	-	(3,883)	(3,883)	21	-	21
Consolidated	71,332	-	71,332	4,618	(1,321)	3,297



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A9. SEGMENTAL REPORTING (Cont'd)

3 months ended 31 August 2010 (Previous Financial Period) - (Restated)

<u>SEGMENT</u>	<u>REVENUE</u>			<u>RESULT</u>		
	External RM'000	Internal* RM'000	Total RM'000	PBT / (LBT)^ RM'000	Taxation RM'000	PAT / (LAT)# RM'000
Earthworks, engineering and construction works	68,886	14,848	83,734	6,043	(1,372)	4,671
Property investment and development	10,232	354	10,586	3,176	(497)	2,679
Water concession	3,510	247	3,757	(154)	(155)	(309)
Plantation	-	-	-	(105)	-	(105)
Investment Holdings and Others	5	1,145	1,145	26	(85)	(59)
Elimination	-	(16,594)	(16,594)	(1,283)	113	(1,170)
Consolidated	82,633	-	82,633	7,703	(1,996)	5,707

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

A10. 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 2011.

A11. EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE

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

A12. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period ended 31 August 2011.



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A13. 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 2011	325,868
Decrease during the financial period	(39,272)
As at 31 August 2011	<u>286,596</u>

A14. CAPITAL COMMITMENTS

As at 31 August 2011

	<u>RM'000</u>
Approved and contracted for	
- Purchase of land for property development	13,000
Approved and not contracted for	
- Oil palm plantations development	15,000
	<u>28,000</u>



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B1. GROUP PERFORMANCE REVIEW

The Group registered a revenue of RM71.33 million for the current period, a decrease of 14% as compared to RM82.63 million recorded in the previous corresponding period. The Group during the period recorded doubtful debts provision of RM1.91 million by its Construction Division in finalizing its construction contracts.

Accordingly, the Group registered a lower profit before taxation of RM4.62 million as compared to RM7.70 million recorded in the previous corresponding period.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group recorded a decrease in revenue by 3% to RM71.33 million as compared to RM73.51 million registered in the immediate preceding quarter. Despite the lower revenue, the Group's gross profit increased by 17% mainly due to non-operating profit recognised by its Property Division during the financial period under review.

In line with the above, the Group registered a profit before taxation of RM4.62 million for the current quarter, against a loss of RM7.94 million in the immediate preceding quarter.

B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Board of Directors views this financial year to be challenging especially for its Construction Division despite being awarded the earthworks and construction package for the Sungai Buloh MRT Depot and the Shah Alam Hospital project. Nevertheless, with the several large infrastructure projects that are earmarked for implementation over the next couple of years by the government, the Group will be selective in tendering for the various packages to ensure reasonable margins are secured. Barring any unforeseen circumstances, the Group expects an improved performance for the current financial year.

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

This is not applicable to the Group.

B5. TAXATION

Taxation comprises the following:-

	Current quarter RM'000	3 months Year-to-date RM'000
Current tax:		
Malaysian income tax	923	923
Foreign tax	304	304
Under / (over) provision for prior years	94	94
Deferred taxation	-	-
	<u>1,321</u>	<u>1,321</u>



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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. (a) STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no pending corporate proposals.

(b) STATUS OF UTILISATION OF PROCEEDS

As at 31 August 2011, the Company has utilised 100% 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 Amount RM'000	Actual Utilisation		Unutilised Amount RM'000
			RM'000	%	
i.	Repayment of bank borrowings	8,000	8,000	100	-
ii.	Working Capital	42,340	42,340	100	-
iii.	Expenses for the proceeds	800	800	100	-
	Total	51,140	51,140	100	-

B9. GROUP BORROWINGS

The details of the Group borrowings are as follows: -

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings	103,149	-	103,149
Long term borrowings	23,085	-	23,085
	<u>126,234</u>	<u>-</u>	<u>126,234</u>
Borrowings denominated in foreign currency :			
	Rp'000		RM'000
Indonesian Rupiah (Rp)	14,040,764		4,914



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B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B11. MATERIAL LITIGATION

As at 20 October 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 financial period ended 31 August 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	
	31/08/2011	31/08/2010	31/08/2011	31/08/2010
Profit attributable to ordinary equity holders of the Company (RM'000)	3,193	5,686	3,193	5,686
Weighted average number of ordinary shares ('000)	196,691	118,016	196,691	118,016
Basic earnings per share(sen)	1.62	4.82	1.62	4.82



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B14. 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 31 August 2011, into realised and unrealised profits, pursuant to the directive, is as follows:

	As at 31.08.2011 RM'000	As at 31.08.2010 RM'000
Total retained profits of the Group		
- Realised	31,979	62,043
- Unrealised	(362)	556
Total Retained Profits as per statement of financial position	31,617	62,599

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
27 October 2011