



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 30 NOVEMBER 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 financial 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 financial 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 financial 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 30 November 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 30 November 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 30 November 2011.

A8. DIVIDEND PAID

There was no payment of dividend in the current quarter.

A9. SEGMENTAL REPORTING

6 months ended 30 November 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	71,356	9,531	80,887	(2,028)	(33)	(2,061)
Property investment and development	29,410	270	29,680	7,015	(1,957)	5,058
Water concession	8,037	-	8,037	2,665	(623)	2,042
Plantation	-	-	-	(434)	-	(434)
Investment Holdings and Others	-	2,010	2,010	(16)	(11)	(27)
Elimination	-	(11,811)	(11,811)	(21)	-	(21)
Consolidated	108,803	-	108,803	7,181	(2,624)	4,557



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A9. SEGMENTAL REPORTING (Cont'd)

6 months ended 30 November 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	177,109	12,402	189,511	(973)	902	(71)
Property investment and development	18,152	228	18,380	4,848	(982)	3,866
Water concession	7,171	-	7,171	1,171	(323)	848
Plantation	-	-	-	(247)	-	(247)
Investment Holdings and Others	762	1,840	2,602	492	(76)	416
Elimination	-	(14,470)	(14,470)	(1,817)	(428)	(2,245)
Consolidated	203,194	-	203,194	3,474	(907)	2,567

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

There were no material events subsequent to the end of the quarter under review.

A12. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period ended 30 November 2011 except for the following :-

- (i) 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.



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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	(22,676)
As at 30 November 2011	<u>303,192</u>

A14. CAPITAL COMMITMENTS

	As at 30 November 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	13,000
	<u>26,000</u> =====



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B1. GROUP PERFORMANCE REVIEW

The Group registered a revenue of RM108.80 million for the current period, a decrease of 46% as compared to RM203.19 million recorded in the previous corresponding period due to a decrease in the level of construction activities completed by the Construction Division.

The Group incurred doubtful debts provision of RM2.76 million for the period under review as compared to RM8.86 million recorded in the previous corresponding period.

Accordingly, the Group registered a higher profit before taxation of RM7.18 million as compared to RM3.47 million recorded in the previous corresponding period.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group recorded a decrease in revenue by 47% to RM37.47 million as compared to RM71.33 million registered in the immediate preceding quarter. Meanwhile, the Group incurred an increase in operating expenses against the preceding quarter due to higher marketing expenses by the Property Division to intensify its selling and promotion activities.

In line with the above, the Group registered a profit before taxation of RM2.56 million for the current quarter as compared to RM4.62 million in the immediate preceding quarter.

B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Board is of the view that with timely implementation of the existing projects, the Group should turn in 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.



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B5. TAXATION

Taxation comprises the following:-

	Current quarter RM'000	6 months Year-to-date RM'000
Current tax:		
Malaysian income tax	1,100	2,023
Foreign tax	319	623
Under / (over) provision for prior years	(181)	(87)
Deferred taxation	65	65
	<u>1,303</u>	<u>2,624</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, and losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

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	96,252	-	96,252
Long term borrowings	33,863	-	33,863
	<u>130,115</u>	<u>-</u>	<u>130,115</u>
Borrowings denominated in foreign currency :			
	Rp'000		RM'000
Indonesian Rupiah (Rp)	<u>12,704,765</u>		<u>4,434</u>



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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 12 January 2012, 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 30 November 2011.

B13. EARNINGS PER SHARE

Basic earnings /(loss) per share

The basic earnings per share has been calculated by dividing the profit / (loss) 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	
	30/11/2011	30/11/2010	30/11/2011	30/11/2010
Profit / (loss) attributable to ordinary equity holders of the Company (RM'000)	1,112	(3,175)	4,305	2,511
Weighted average number of ordinary shares ('000)	196,691	170,754	196,691	144,241
Basic earnings/(loss) per share(sen)	0.56	(1.86)	2.19	1.74



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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 30 November 2011, into realised and unrealised profits, pursuant to the directive, is as follows:

	As at 30.11.2011 RM’000	As at 30.11.2010 RM’000
Total retained profits of the Group		
- Realised	33,104	33,465
- Unrealised	(227)	170
Total Retained Profits as per statement of financial position	<u>32,877</u>	<u>33,635</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
19 January 2011