



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 29 FEBRUARY 2012

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.



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A2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

Malaysian Financial Reporting Standards (MFRS)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called Transitioning Entities")

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its financial statements for the year ending 31 May 2013. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has yet to complete its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these interim financial statements for the year ended 31 May 2012 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 May 2013.

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.

A4. SEASONAL OR CYCLICAL FACTORS

The Group's business operations for the quarter ended 29 February 2012 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.



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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 29 February 2012.

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 29 February 2012.

A8. DIVIDEND PAID

There was no payment of dividend in the current quarter.

A9. SEGMENTAL REPORTING

9 months ended 29 February 2012 (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	122,504	15,268	137,772	(824)	(519)	(1,343)
Property investment and development	35,497	399	35,896	8,231	(2,382)	5,849
Water concession	11,817	-	11,817	3,370	(366)	3,004
Plantation	-	-	-	(592)	-	(592)
Investment Holdings and Others	-	22,577	22,577	(1,116)	-	(1,116)
Elimination	-	(38,244)	(38,244)	(7)	(94)	(101)
Consolidated	169,818	-	169,818	9,062	(3,361)	5,701

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



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A9. SEGMENTAL REPORTING (Cont'd)

9 months ended 28 February 2011 (Previous Financial Period) - (Restated)

<u>SEGMENT</u>	<u>REVENUE</u>			<u>RESULT</u>		
	<u>External</u> RM'000	<u>Internal*</u> RM'000	<u>Total</u> RM'000	<u>PBT / (LBT)^</u> RM'000	<u>Taxation</u> RM'000	<u>PAT / (LAT)#</u> 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	1,519	(83)	1,436
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	6,747	(1,895)	4,852

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 quarter ended 29 February 2012.



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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	(30,228)
As at 29 February 2012	<u>295,640</u>

A14. CAPITAL COMMITMENTS

	As at 29 February 2012 <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	9,000
	<u>22,000</u>
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B1. OPERATING SEGMENTS REVIEW

REVIEW OF RESULTS AGAINST PRECEDING YEAR CORRESPONDING PERIOD

The Group registered revenue of RM169.82 million for the current year-to-date ended 29 February 2012 (3Q12), a decrease of 39% as compared to RM276.98 million recorded in the preceding year-to-date ended 28 February 2011(3Q11). This decline in turnover was mainly due to the completion of major contracts and the longer tendering period for new projects secured by the Construction Division.

Despite the decrease in revenue, the Group registered an increase in profit before taxation by 34% to RM9.06 million in 3Q12 as compared to RM6.74 million in 3Q11 mainly due to higher provision of doubtful debts incurred in 3Q11.

Tabulated below the divisional performance:-

Earthwork, Engineering & Construction Works

	Qtr Ended 29.02.2012 RM'000	Qtr Ended 28.02.2011 RM'000	YTD Ended 29.02.2012 RM'000	YTD Ended 28.02.2011 RM'000
Revenue	56,885	92,115	137,772	281,626
Profit / (Loss) Before Tax	1,204	1,287	(824)	314

The construction division recorded a substantial decline in revenue by 51% to RM137.77 million in 3Q12 as compared to RM281.62 million registered in 3Q11. The decrease in revenue was mainly due to on-going contracts which were at their tail-end like the LCCT (Low Cost Carrier Terminal) project, coupled with the completion of other projects such as LKSA-1 Shah Alam (Lebuhraya Kemuning Shah Alam), Taman Pinggiran Pelangi Phase 2A and 2B. In line with the above, the division recorded a pre-tax loss of RM0.82 million in 3Q12 as compared to a pre-tax profit RM0.31 million in 3Q11.

Property Investment & Development

	Qtr Ended 29.02.2012 RM'000	Qtr Ended 28.02.2011 RM'000	YTD Ended 29.02.2012 RM'000	YTD Ended 28.02.2011 RM'000
Revenue	6,216	12,191	35,896	30,571
Profit Before Tax	1,216	1,777	8,231	6,625

The division recorded an increase in turnover from RM30.57 million in 3Q11 to RM35.89 million in 3Q12 mainly due to the disposal of Kuang land, contributing a sale value of RM21.00 million. Overall, the division registered slower sales during the financial quarter due to tighter credit environment for housing loans.



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Water Concession

	Qtr Ended 29.02.2012 RM'000	Qtr Ended 28.02.2011 RM'000	YTD Ended 29.02.2012 RM'000	YTD Ended 28.02.2011 RM'000
Revenue	3,780	4,167	11,817	11,338
Profit Before Tax	705	348	3,370	1,519

The division recorded sustainable revenue momentum for the financial period ended 3Q12 as compared to the corresponding financial period ended 3Q11. The division recorded a profit of RM3.37 million in 3Q12, an increase of 121% compared to RM1.52 million in 3Q11 due to lower amortization charges and finance cost for the financial period under review. .

Plantation

	Qtr Ended 29.02.2012 RM'000	Qtr Ended 28.02.2011 RM'000	YTD Ended 29.02.2012 RM'000	YTD Ended 28.02.2011 RM'000
Revenue	-	-	-	-
Loss Before Tax	(158)	(144)	(592)	(391)

The division is still under planting and development stage, hence no income recorded. The loss is attributed to the operating overhead costs incurred.

B2. MATERIAL CHANGE IN PERFORMANCE OF OPERATING SEGMENTS FOR CURRENT QUARTER AS COMPARED TO PRECEDING QUARTER.

Operating Segments	Revenue		Profit / (Loss) Before Tax	
	Current Quarter 29.02.2012 RM'000	Preceding Quarter 30.11.2011 RM'000	Current Quarter 29.02.2012 RM'000	Preceding Quarter 30.11.2011 RM'000
Earthworks, engineering and construction works	56,885	34,100	1,204	169
Property investment and development	6,216	6,264	1,216	1,166
Water concession	3,780	4,004	705	1,115
Plantation	-	-	(158)	(166)

Earthwork, Engineering & Construction Works

The division recorded an increase in revenue of 66.8% to RM56.89 million in 3Q12 as compared to RM34.10 million in the preceding quarter 2Q12. The revenue growth was attributed by the newly secured Shah Alam Hospital project. As a result, profit before tax increased to RM1.20 million in 3Q12 compared to RM0.17 million in 2Q12.



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Property Investment & Development

The division recorded stable revenue and profit before tax in 3Q12 compared to 2Q12.

Water Concession

The water division's revenue decreased by 5.59% in 3Q12 compared to 2Q12 due to lower demand for bulk water. Profit before tax decreased by 36% in 3Q12 compared to 2Q12 mainly due to higher maintenance cost.

Plantation

The division is still undergoing planting and development stage, hence no revenue. The loss is mainly for operating overhead costs incurred.

B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Group is rationalizing and disposing low income yielding assets to consolidate its working capital for major projects currently tendered by the Group.

On-going initiatives are being directed at lowering and optimizing the Group's cost structure to manage the decline margins due to severe competition.

In view of the above actions, the Group's performance for current financial year ending 31 May 2012 is expected to be better than the last 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	9 months Year-to-date RM'000
Current tax:		
Malaysian income tax	969	2,992
Foreign tax	(257)	366
Under / (over) provision for prior years	25	(62)
Deferred taxation	-	65
	<u>737</u>	<u>3,361</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.



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B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no pending corporate proposals.

B7. GROUP BORROWINGS

The details of the Group borrowings are as follows: -

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings	74,479	-	74,479
Long term borrowings	36,536	-	36,536
	111,015	-	111,015
Borrowings denominated in foreign currency :			
	Rp'000		RM'000 Equivalent
Indonesian Rupiah (Rp)	11,408,926		3,788

B8. MATERIAL LITIGATION

As at 19 April 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.

B9. DIVIDEND

The Board of Directors does not recommend any payment of dividend for the financial period ended 29 February 2012.

B10. 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	
	29/02/2012	28/02/2011	29/02/2012	28/02/2011
Profit attributable to ordinary equity holders of the Company (RM'000)	960	2,107	5,265	4,618
Weighted average number of ordinary shares ('000)	196,691	196,691	196,691	161,532
Basic earnings per share(sen)	0.49	1.07	2.68	2.86



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B11. 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 29 February 2012, into realised and unrealised profits, pursuant to the directive, is as follows:

	As at 29.02.2012 RM'000	As at 28.02.2011 RM'000
Total retained profits of the Group		
- Realised	33,766	36,006
- Unrealised	(256)	(294)
Total Retained Profits as per statement of financial position	34,022	35,712

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.



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B12. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Total comprehensive income for the period is arrived at after charging/ (crediting) the following items:

	Current Year Quarter 29/02/2012 RM'000	Current Year To Date 29/02/2012 RM'000
Interest Income	(195)	(678)
Other Income	-	(1,327)
Interest expense	1,210	3,473
Depreciation and amortization	1,672	4,983
Provision for and write off of receivable	579	3,336
Provision for and write off of inventories	-	-
(Gain) / loss on disposal of quoted or unquoted investment	-	-
(Gain) / loss on disposal of property, plant and equipment	164	(865)
Impairment of assets	-	-
(Gain) / loss on foreign exchange	-	-
(Gain) / loss on derivatives	-	-
Exceptional items	-	-

Other than as per disclosed above, the Group does not have any material items that recognised as profit/ loss in the Consolidated Statement of Comprehensive Income.

BY ORDER OF THE BOARD,

Tan Seok Chung
Company Secretary
26 April 2012