GADANG HOLDINGS BERHAD
(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 31 AUGUST 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 2012. 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 2012.

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 2012, 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 2012 as follows:

Amendments to FRSs
FRS 1, Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
FRS 7, Disclosures – Transfers of Financial Assets
FRS 101, Presentation of Items of Other Comprehensive Income
FRS 112, Deferred Tax: Recovery of Underlying Assets
FRS 124, Related Party Disclosures
IC Interpretation 15, Agreements for the Construction of Real Estate
IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretations:
IC Interpretation 14, Prepayments of a Minimum Funding Requirement

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.

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 MRFS 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")

Based on the MASB announcement on 30 June 2012, Transitioning Entities will be allowed to defer the adoption of the new MFRS Framework from the previous adoption date of 1 January 2013 to 1 January 2014. Consequently, the adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

A2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

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 2015. 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 2013 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 2015.

A3. AUDIT REPORT

The auditors' report on the Group's annual financial statements for the year ended 31 May 2012 was not subject to any audit qualification.

A4. SEASONAL OR CYCLICAL FACTORS

The Group's business operations for the quarter ended 31 August 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.

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 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 31 August 2012

A8. DIVIDEND PAID

There was no payment of dividend in the current quarter.

A9. SEGMENTAL REPORTING

3 months ended 31 August 2012 (Current Financial Period)

31 August 2012	Engineering and construction RM	Property investment and development RM	Utility RM	Investment holding and others RM	Plantation RM	Elimination RM	Consolidated RM
Revenue							
External sales	36,361,109	6,445,975	4,461,153	-	-	-	47,268,237
Inter-segment sales	4,479,812	129,379	-	5,771,148	-	(10,380,339)	-
Total revenue	40,840,921	6,575,354	4,461,153	5,771,148	-	(10,380,339)	47,268,237
Result							
Segment results	1,684,928	1,101,629	1,538,320	123,236	(117,277)	(6,011)	4,324,825
Finance costs	(295,655)	(104,286)	(92,113)	(121,106)	(3,733)	-	(616,893)
Profit/(Loss) before tax	1,389,273	997,343	1,446,207	2,130	(121,010)	(6,011)	3,707,932
Income tax expense							(703,695)
Profit for the year							3,004,237

3 months ended 31 August 2011 (Previous Financial Period)-(Restated)

31 August 2011	Engineering and construction RM	Property investment and development RM	Utility RM	Investment holding and others RM	Plantation RM	Elimination RM	Consolidated RM
Revenue							
External sales	44,046,388	23,275,134	4,010,320	-	-	-	71,331,842
Inter-segment sales	2,739,200	140,668	-	1,003,136	-	(3,883,004)	-
Total revenue	46,785,588	23,415,802	4,010,320	1,003,136	-	(3,883,004)	71,331,842
Result							
Segment results	(1,889,453)	5,851,709	1,702,649	407,863	(264,641)	19,882	5,828,009
Finance costs	(409,348)	(2,901)	(153,095)	(642,757)	(2,539)	-	(1,210,640)
Profit/(Loss) before tax	(2,298,801)	5,848,808	1,549,554	(234,894)	(267,180)	19,882	4,617,369
Income tax expense							(1,321,286)
Profit for the year							3,296,083

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 2012.

A11. EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE

Elegance Sonata Sdn Bhd, a wholly-owned subsidiary of Gadang Land Sdn Bhd, which in turn is the wholly-owned subsidiary of the Company, had on 31 May 2012, entered into a Sale and Purchase Agreement ("SPA") with Blossom Acacia Sdn Bhd ("Purchaser") to dispose to the Purchaser, two (2) parcels of freehold land in Penang ("Penang Land"), for a total cash consideration of RM31,544,845 only.

On 19 September 2012, the disposal of Penang Land was completed pursuant to the terms of the SPA.

A12. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the current quarter ended 31 August 2012.

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 :-

	RM'000
As at 31 May 2012	246,215
Increase during the financial period	24,528
As at 31 August 2012	270,743

A14. CAPITAL COMMITMENTS

	As at 31 August 2012 RM'000
Approved and contracted for	
- Purchase of land for property development	13,000
Approved and not contracted for	
- Oil palm plantations development	8,000
	21,000

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

B1. OPERATING SEGMENTS REVIEW

REVIEW OF PERFORMANCE AGAINST PREVIOUS YEAR CORRESPONDING PERIOD

The Group registered revenue of RM47.27 million for the current period ended 31 August 2012 (1Q13) as compared to RM71.33 million in the previous year corresponding period ended 31 August 2011(1Q12), a decline of 33.7%. The decline in revenue was mainly due to the non-recurrent revenue from disposal of Kuang Land by Property Division in 1Q12.

In line with the above, the Group registered a lower profit before tax of RM3.71 million in 1Q13 as compared to RM4.62 million in 1Q12.

Further analysis of the divisional performances is as follows:

Construction Division

	YTD Ended 31.08.2012 RM'000	YTD Ended 31.08.2011 RM'000
Revenue	40,841	46,786
Profit / (Loss) Before Tax	1,389	(2,299)

The Construction Division recorded lower revenue of RM40.84 million in 1Q13 as compared to RM46.79 million in 1Q12.

Despite the decrease in revenue, the Division recorded a profit before tax of RM1.39 million in 1Q13 as compared to a pre-tax loss of RM2.29 million in 1Q12. The loss in 1Q12 was mainly due to the doubtful debts provision of RM1.91 million and lower profit margin for some contracts.

Property Division

	YTD Ended 31.08.2012 RM'000	YTD Ended 31.08.2011 RM'000
Revenue	6,575	23,416
Profit Before Tax	997	5,849

The Property Division registered much lower revenue of RM6.58 million in 1Q13 as compared to RM23.42 million in 1Q12. This was mainly due to the non-recurrent revenue from disposal of Kuang Land in 1Q12.

In line with the above, the profit before tax declined substantially from RM5.85 million in 1Q12 to RM0.99 million in 1Q13.

B1. OPERATING SEGMENTS REVIEW (Cont'd)

Utility Division

	YTD Ended 31.08.2012 RM'000	YTD Ended 31.08.2011 RM'000
Revenue	4,461	4,010
Profit Before Tax	1,446	1,550

The revenue increased slightly to RM4.46 million in 1Q13 from RM4.01 million in 1Q12 due to increase in demand for water sales. However, the profit before tax decreased to RM1.45 million in 1Q13 from RM1.55 million in 1Q12 mainly due to higher operating expenses.

Plantation Division

	YTD Ended 31.08.2012 RM'000	YTD Ended 31.08.2011 RM'000
Revenue	-	-
Loss Before Tax	(121)	(267)

The division is still under planting and development stage, hence no revenue recorded. The lower loss in current quarter 1Q13 was mainly attributed to lower estate costs.

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

	Current Quarter 31.08.2012 RM'000	Preceding Quarter 31.05.2012 RM'000
Revenue	47,268	76,529
Profit Before Tax	3,708	8,843

The Group recorded lower revenue of RM47.27 million in 1Q13 as compared to RM76.53 million in the preceding quarter ended 31 May 2012. The higher revenue in the preceding quarter was mainly due to the recognition of some variation orders by the Construction Division.

The Group's current quarter profit before tax of RM3.71 million declined by 58% as compared to RM8.84 million in the preceding quarter mainly due to lower profit contributions from the Construction Division.

B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Group's current financial year performance growth is expected to be strongly driven by the Construction Division with an order book of some RM1.6 billion with the recent award of another two (2) new contracts i.e. Klang Valley Mass Rapid Transit – Package V2 the construction and completion of viaduct guideway and associated works (KVMRT – V2) and the Refinery and Petrochemical Integrated Development (RAPID) Project – Package 1 - Phase 1 Site Preparation Works.

The encouraging sales progress for the Tampoi integrated commercial and residential project by the Property Division and the stable earnings from the Indonesian Utility Division continue to further strengthen the Group's revenue platform.

Accordingly, the Group expects to achieve a stronger 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	539	539
Foreign income tax	165	165
Under / (over) provision for prior years	-	-
Deferred taxation	-	-
	704	704

The effective tax rate for the Group for the financial period is lower than the statutory tax rate because certain subsidiaries have unutilised tax losses and unabsorbed capital allowances to set off against current taxable profits.

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	Unsecured	Total
	RM'000	RM'000	RM'000
Short term borrowings	33,100	-	33,100
Long term borrowings	45,161	-	45,161
	78,261	-	78,261

Borrowings denominated in foreign currency :

	Rp'000	RM'000 Equivalent
Indonesian Rupiah (Rp)	8,820,702	2,893

B8. MATERIAL LITIGATION

As at 22 October 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

No interim dividend has not declared for the current quarter under review.

In respect of the financial year ended 31 May 2012, the Board recommended a first and final dividend of 2% per share less 25% income tax for approval by the shareholders at the forthcoming annual general meeting.

B10. EARNINGS PER SHARE

Basic earnings 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 Company by the weighted average number of ordinary shares that would have been in issue during the financial year, calculated as follows :-

	INDIVIDUAL QUARTER		YEAR-TO-DATE	
	31/08/2012	31/08/2011	31/08/2012	31/08/2011
Profit/(Loss) attributable to ordinary equity holders of the Company (RM'000)	2,527	3,193	2,527	3,193
Weighted average number of ordinary shares ('000)	196,691	196,691	196,691	196,691
Basic earnings/(Loss) per share(sen)	1.28	1.62	1.28	1.62

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 31 August 2012, into realised and unrealised profits, pursuant to the directive, is as follows:

	As at 31.08.2012 RM'000	As at 31.08.2011 RM'000
Total retained profits of the Group		
- Realised	53,003	37,337
- Unrealised	(7,705)	(5,824)
Total Retained Profits as per statement of financial position	45,298	31,513

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.

B12. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Total comprehensive income for the period was derived after charging/ (crediting) the following items:

	Current Year Quarter 31/08/2012	**Current Year To Date 31/08/2012**
	RM'000	**RM'000**
Interest Income	(129)	(129)
Other Income	(1,702)	(1,702)
Interest expense	617	617
Depreciation and amortization	1,037	1,037
Provision for and write off of receivable	-	-
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	(218)	(218)
Impairment and write off of property, plant and equipment	145	145
(Gain) / loss on foreign exchange	(123)	(123)
(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
29 October 2012