



GADANG HOLDINGS BERHAD

(Company No. 278114-K)

INTERIM REPORT FOR THE QUARTER ENDED 28 FEBRUARY 2013

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 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")

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.



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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 28 February 2013 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 28 February 2013.

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 28 February 2013.



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A8. DIVIDEND PAID

During the financial period ended 28 February 2013, the Company paid a first and final dividend of 2% less 25% income tax on 27 December 2012, in respect of the financial year ended 31 May 2012 which was approved at the Annual General Meeting held on 21 November 2012.

A9. SEGMENTAL REPORTING

9 months ended 28 February 2013 (Current Financial Period)

	Engineering and construction RM'000	Property investment and development RM'000	Utility RM'000	Investment holding and others RM'000	Plantation RM'000	Elimination RM'000	Consolidated RM'000
28 February 2013 Revenue							
External sales	186,610	59,841	12,675	-	21	-	259,147
Inter-segment sales	21,833	388	-	14,437	-	(36,658)	-
Total revenue	208,443	60,229	12,675	14,437	21	(36,658)	259,147
Result							
Segment results	4,510	21,455	3,657	(31)	(515)	(1,269)	27,807
Finance costs	(728)	(164)	(238)	(107)	(13)	-	(1,250)
Profit/(Loss) before tax	3,782	21,291	3,419	(138)	(528)		26,557
Income tax expense							(7,552)
Profit for the year							19,005

9 months ended 29 February 2012 (Previous Financial Period)-(Restated)

	Engineering and construction RM'000	Property investment and development RM'000	Utility RM'000	Investment holding and others RM'000	Plantation RM'000	Elimination RM'000	Consolidated RM'000
29 February 2012 Revenue							
External sales	122,504	35,497	11,817	-	-	-	169,818
Inter-segment sales	15,268	399	-	22,577	-	(38,244)	-
Total revenue	137,772	35,896	11,817	22,577	-	(38,244)	169,818
Result							
Segment results	673	8,251	3,779	423	(584)	(7)	12,535
Finance costs	(1,498)	(20)	(409)	(1,538)	(8)	-	(3,473)
Profit/(Loss) before tax	(825)	8,231	3,370	(1,115)	(592)		9,062
Income tax expense							(3,361)
Profit for the year							5,701



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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

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 for the current quarter ended 28 February 2013.

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 30 November 2012	282,898
Decrease during the financial period	(11,064)
As at 28 February 2013	<u><u>271,834</u></u>

A14. CAPITAL COMMITMENTS

	As at 28 February 2013 <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	8,200
	<u>21,200</u> =====



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B1. OPERATING SEGMENTS REVIEW

REVIEW OF PERFORMANCE AGAINST PREVIOUS YEAR CORRESPONDING PERIOD

The Group registered revenue of RM259.15 million for the current financial period ended 28 February 2013 (3Q13) as compared to RM169.82 million in the previous year corresponding period ended 29 February 2012 (3Q12), an increase of 52.60%. The increase in revenue was a result of higher contributions from construction and property activities.

In line with the above, the Group registered a higher profit before tax of RM26.58 million in 3Q13 as compared to RM9.06 million in 3Q12.

Further analysis of the divisional performances is as follows:

Construction Division

	YTD Ended 28.02.2013 RM'000	YTD Ended 29.02.2012 RM'000
Revenue	208,443	137,772
Profit / (Loss) Before Tax	3,782	(825)

The Construction Division recorded higher revenue of RM208.44 million in 3Q13 as compared to RM137.77 million in 3Q12 mainly due to higher work progress from existing projects.

In line with the above, the Division recorded a profit before tax of RM3.78 million in 3Q13 as compared to a pre-tax loss of RM0.82 million in 3Q12. The loss in 3Q12 was mainly due to the doubtful debts provision of RM1.91 million.

Property Division

	YTD Ended 28.02.2013 RM'000	YTD Ended 29.02.2012 RM'000
Revenue	60,229	35,896
Profit Before Tax	21,291	8,231

The Property Division recorded an increase in turnover from RM35.90 million in 3Q12 to RM60.23 million in 3Q13 mainly due to the disposal of a piece of undeveloped hillside property in Penang and higher sales achieved for Tampoi project.

In line with the above, the profit before tax increased substantially from RM8.23 million in 3Q12 to RM21.29 million in 3Q13.



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B1. OPERATING SEGMENTS REVIEW (Cont'd)

Utility Division

	YTD Ended 28.02.2013 RM'000	YTD Ended 29.02.2012 RM'000
Revenue	12,675	11,817
Profit Before Tax	3,419	3,370

For current financial period, the Utility Division recorded slightly higher revenue and profit before tax of RM12.68 million and RM3.42 million as compared to RM11.82 million and RM3.37 million respectively in 3Q12 due to increase in demand for water sales.

Plantation Division

	YTD Ended 28.02.2013 RM'000	YTD Ended 29.02.2012 RM'000
Revenue	21	-
Loss Before Tax	(528)	(592)

The oil palm trees planted in 2009 have matured and harvesting had commenced in the current financial period. The loss before tax was mainly due to the amortization of its planting expenditure capitalized under biological asset.

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

	Current Quarter 28.02.2013 RM'000	Preceding Quarter 30.11.2012 RM'000
Revenue	87,865	124,013
Profit Before Tax	5,151	17,698

For current quarter, the Group recorded lower revenue and profit before tax of RM87.87 million and RM5.15 million as compared to RM124.01 million and RM17.70 million respectively in preceding quarter. The reason for the lower revenue and profit before tax was mainly contributed by the disposal of the piece of undeveloped hillside property in Penang recorded in the preceding quarter.



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B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Board expects the performance for the current financial year to further improve in tandem with the strong order book of some RM1.6 billion for the Construction Division and the better sales momentum generated by the Tampoi commercial and residential property project.

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	1,117	6,722
Foreign income tax	322	916
Under / (over) provision for prior years	36	36
Deferred taxation	-	(122)
	<u>1,475</u>	<u>7,552</u>

The effective tax rate for the Group for the current financial period was higher than the statutory tax rate mainly due to expenses not deductible for tax purpose.

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	18,034	-	18,034
Long term borrowings	57,114	-	57,114
	<u>75,148</u>	<u>-</u>	<u>75,148</u>



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Borrowings denominated in foreign currency :

	Rp'000	RM'000 Equivalent
Indonesian Rupiah (Rp)	6,249,745	2,000

B8. MATERIAL LITIGATION

As at 17 April 2013, 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 been declared for current quarter under review.

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	
	28/02/2013	29/02/2012	28/02/2013	29/02/2012
Profit/(Loss) attributable to ordinary equity holders of the Company (RM'000)	3,615	960	18,386	5,265
Weighted average number of ordinary shares ('000)	196,691	196,691	196,691	196,691
Basic earnings/(Loss) per share(sen)	1.84	0.49	9.35	2.68



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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 28 February 2013, into realised and unrealised profits, pursuant to the directive, is as follows:

	As at 28.02.2013 RM’000	As at 29.02.2012 RM’000
Total retained profits of the Group		
- Realised	65,689	38,762
- Unrealised	(7,482)	(5,177)
Total Retained Profits as per statement of financial position	58,207	33,585

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 was derived after charging/ (crediting) the following items:

	Current Year Quarter 28/02/2013	Current Year To Date 28/02/2013
	RM'000	RM'000
Interest Income	(475)	(864)
Other Income	(1,282)	(3,665)
Interest expense	141	1,250
Depreciation and amortization	678	3,229
Provision for and write off of receivable	249	249
Provision for and write off of inventories	-	-
(Gain) / loss on disposal of quoted or unquoted investment	-	21
(Gain) / loss on disposal of property, plant and equipment	(155)	(379)
Impairment and write off of property, plant and equipment	138	144
(Gain) / loss on foreign exchange	(25)	(14)
Impairment losses on goodwill	1,250	1,250
Recovery from provision doubtful debt	(100)	(1,027)
Exceptional items	-	-

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

BY ORDER OF THE BOARD

Tan Seok Chung
Company Secretary
24 April 2013